BHP BILLITON LTD
Form 6-K
October 26, 2005

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**Form 6-K**
**REPORT OF FOREIGN PRIVATE ISSUER**
**PURSUANT TO RULE 13a-16 OR 15d-16**
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**
**October 17, 2005**
**BHP Billiton Limited**

(Translation of registrant s name into English)
180 Lonsdale Street Melbourne VIC 3000 Australia

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
þ Form 20-F o Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:
o Yes þ No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BHP Billiton Limited

Date: 17 October 2005

By: Karen Wood

Name: Karen Wood
Title: Company Secretary

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**Statement of Financial Performance**
for the year ended 30 June 2005

| | Notes | **2005 US$M**[(a)] | 2004 US$M[(a)] |
|---|---|---|---|
| **Revenue from ordinary activities** | | | |
| Operating revenue | 4 | **29 649** | 22 887 |
| Non-operating revenue | 4 | **1 458** | 626 |
| | 10 | **31 107** | 23 513 |
| *deduct* | | | |
| Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs | 5 | **20 697** | 17 084 |
| | | **10 410** | 6 429 |
| *add* | | | |
| Share of net profit of joint venture and associated entities accounted for using the equity method | 10,18 | **564** | 223 |
| | | **10 974** | 6 652 |
| *deduct* | | | |
| Depreciation and amortisation | 6 | **1 994** | 1 793 |
| Borrowing costs | 7 | **499** | 490 |
| Profit from ordinary activities before income tax | 10 | **8 481** | 4 369 |
| *deduct* | | | |
| Income tax expense attributable to ordinary activities | 9 | **2 240** | 870 |
| **Net profit** | | **6 241** | 3 499 |
| *deduct* | | | |
| Outside equity interests in net profit of controlled entities | | **232** | 96 |
| **Net profit attributable to members of the BHP Billiton Group** | | **6 009** | 3 403 |
| **Non-owner transaction changes in equity** | | | |
| Net exchange fluctuations on translation of foreign currency net assets and designated foreign currency interest bearing liabilities net of tax | | **7** | 48 |
| Total direct adjustments to equity attributable to members of the BHP Billiton Group | | **7** | 48 |
| **Total changes in equity other than those resulting from transactions with owners** | 35 | **6 016** | 3 451 |
| Basic earnings per share (US cents) | 12 | **98.1** | 54.7 |
| Diluted earnings per share (US cents) | 12 | **97.6** | 54.5 |

(a) Financial information for 2005 and 2004 represents the financial performance of the BHP Billiton Group (Refer Dual Listed Companies Structure and Basis of Preparation of Financial Statements ).

The accompanying notes form part of these financial statements.

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**Statement of Financial Position**
as at 30 June 2005

| | Notes | **2005 US$M**[(a)] | 2004 US$M[(a)] |
|---|---|---|---|
| **Current assets** | | | |
| Cash assets | 36 | **1 418** | 1 818 |
| Receivables | 13 | **3 490** | 2 778 |
| Other financial assets | 14 | **212** | 167 |
| Inventories | 15 | **2 542** | 1 715 |
| Other assets | 16 | **160** | 176 |
| **Total current assets** | | **7 822** | 6 654 |
| **Non-current assets** | | | |
| Receivables | 17 | **619** | 748 |
| Investments accounted for using the equity method | 18 | **1 525** | 1 369 |
| Other financial assets | 19 | **97** | 123 |
| Inventories | 20 | **103** | 45 |
| Property, plant and equipment | 21 | **30 347** | 20 945 |
| Intangible assets | 22 | **513** | 422 |
| Deferred tax assets | 9 | **660** | 502 |
| Other assets | 23 | **424** | 371 |
| **Total non-current assets** | | **34 288** | 24 525 |
| **Total assets** | 10 | **42 110** | 31 179 |
| **Current liabilities** | | | |
| Payables | 24 | **4 091** | 2 590 |
| Interest bearing liabilities | 25 | **1 500** | 1 330 |
| Tax liabilities | | **842** | 297 |
| Other provisions and liabilities | 26 | **1 226** | 810 |
| **Total current liabilities** | | **7 659** | 5 027 |
| **Non-current liabilities** | | | |
| Payables | 27 | **162** | 177 |
| Interest bearing liabilities | 28 | **9 626** | 5 453 |
| Deferred tax liabilities | 9 | **1 318** | 1 053 |
| Other provisions and liabilities | 29 | **4 981** | 4 044 |
| **Total non-current liabilities** | | **16 087** | 10 727 |
| **Total liabilities** | 10 | **23 746** | 15 754 |
| **Net assets** | | **18 364** | 15 425 |

| | | | |
|---|---|---|---|
| **Equity** | | | |
| Contributed equity BHP Billiton Limited | 30 | **1 611** | 1 851 |
| Called up share capital BHP Billiton Plc | 30 | **1 752** | 1 752 |
| Reserves | 32 | **638** | 547 |
| Retained profits | 33 | **14 022** | 10 928 |
| **Total BHP Billiton interest** | | **18 023** | 15 078 |
| Outside equity interests | 34 | **341** | 347 |
| **Total equity** | 35 | **18 364** | 15 425 |

(a) Financial information for 2005 and 2004 represents the financial position of the BHP Billiton Group (Refer Dual Listed Companies Structure and Basis of Preparation of Financial Statements ).

The accompanying notes form part of these financial statements.

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**Statement of Cash Flows**
for the year ended 30 June 2005

| | Notes | **2005 US$M**[(a)] | 2004 US$M[(a)] |
|---|---|---|---|
| **Cash flows related to operating activities** | | | |
| Receipts from customers | | **30 711** | 23 372 |
| Payments in the course of operations | | **(20 083)** | (16 806) |
| Dividends received | | **292** | 238 |
| Interest received | | **79** | 78 |
| Borrowing costs (includes capitalised interest) | | **(378)** | (370) |
| Operating cash flows before income tax | | **10 621** | 6 512 |
| Income taxes paid | | **(1 695)** | (1 337) |
| **Net operating cash flows** | 36 | **8 926** | 5 175 |
| **Cash flows related to investing activities** | | | |
| Purchases of property, plant and equipment | | **(3 831)** | (2 589) |
| Exploration expenditure (includes capitalised exploration) | | **(533)** | (454) |
| Purchases of investments and funding of joint ventures | | **(42)** | (35) |
| Purchases of, or increased investment in, controlled entities and joint venture interests, net of their cash | | **(6 198)** | |
| Investing cash outflows | | **(10 604)** | (3 078) |
| Proceeds from sale of property, plant and equipment | | **155** | 157 |
| Proceeds from sale or redemption of investments | | **227** | 89 |
| Proceeds from demerger, sale or partial sale of controlled entities, operations, joint venture and associated entities Interests, net of their cash | | **675** | 179 |
| **Net investing cash flows** | | **(9 547)** | (2 653) |
| **Cash flows related to financing activities** | | | |
| Proceeds from ordinary share issues | | **66** | 76 |
| Proceeds from interest bearing liabilities | | **5 754** | 510 |
| Repayment of interest bearing liabilities | | **(1 975)** | (1 336) |
| Purchase of shares by ESOP trusts | | **(47)** | (25) |
| Share repurchase scheme BHP Billiton Limited | | **(1 792)** | |
| Dividends paid | | **(1 404)** | (1 501) |
| Dividends paid to outside equity interests | | **(238)** | (75) |
| Repayment of finance leases | | **(22)** | (9) |
| **Net financing cash inflows/(outflows)** | | **342** | (2 360) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(279)** | 162 |
| Cash and cash equivalents at beginning of financial year | | **1 685** | 1 531 |
| | | **(3)** | (8) |

| | | | |
|---|---|---|---|
| Effect of foreign currency exchange rate changes on cash and cash equivalents | | | |
| **Cash and cash equivalents at end of financial year** | 36 | **1 403** | 1 685 |

(a) Financial information for 2005 and 2004 represents the cash flows of the BHP Billiton Group (Refer Dual Listed Companies Structure and Basis of Preparation of Financial Statements ).

The accompanying notes form part of these financial statements.

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**Dual Listed Companies Structure and Basis of Preparation of Financial Statements**

**Merger terms**

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed company, and BHP Billiton Plc (previously known as Billiton Plc), a UK listed company, entered into a Dual Listed Companies (DLC) merger. This was effected by contractual arrangements between the Companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the BHP Billiton Group), with neither assuming a dominant role. Under the arrangements:

- the shareholders of BHP Billiton Limited and BHP Billiton Plc have a common economic interest in both Groups;
- the shareholders of BHP Billiton Limited and BHP Billiton Plc take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two Companies effectively vote on a joint basis;
- BHP Billiton Limited and BHP Billiton Plc have a common Board of Directors, a unified management structure and joint objectives;
- dividends and capital distributions made by the two Companies are equalised; and
- BHP Billiton Limited and BHP Billiton Plc each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

If either BHP Billiton Limited or BHP Billiton Plc proposes to pay a dividend to its shareholders, then the other Company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either Company is prohibited by law or is otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then BHP Billiton Limited or BHP Billiton Plc will, so far as it is practicable to do so, enter into such transactions with each other as the Boards agree to be necessary or desirable so as to enable both Companies to pay dividends as nearly as practicable at the same time.

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Limited or BHP Billiton Plc, any change of ownership of any existing shares or securities of BHP Billiton Limited or BHP Billiton Plc, the issue of any shares or securities or any payment by way of consideration, save for the issue by each Company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated. In addition, to achieve a position where the economic and voting interests of one share in BHP Billiton Limited and one share in BHP Billiton Plc were identical, BHP Billiton Limited made a bonus issue of ordinary shares to the holders of its ordinary shares.

**Treatment of the DLC merger for accounting purposes**

In accordance with the Australian Securities and Investments Commission (ASIC) Practice Note 71 Financial Reporting by Australian Entities in Dual-Listed Company Arrangements , and an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, this annual financial report presents the financial results of the BHP Billiton Group as follows:

- Results for the years ended 30 June 2005 and 30 June 2004 are of the combined entity including both BHP Billiton Limited and its subsidiaries and BHP Billiton Plc and its subsidiaries;
- Results are presented in US dollars unless otherwise stated; and
- Results of the single parent entity, BHP Billiton Limited, are presented in note 48 to the financial statements.

The full single parent entity financial statements of BHP Billiton Limited are available on the Company s website (www.bhpbilliton.com) and are available to shareholders on request, free of charge.

BHP Billiton Limited Financial Statements 2005

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**Notes to Financial Statements**

**1 Statement of accounting policies**

The financial report has been prepared as a general purpose financial report which complies with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

**Basis of accounting**

Subject to the exceptions noted in the paragraphs below dealing with valuation of property, plant and equipment, the financial report is drawn up on the basis of historical cost principles.

The accounting policies have been consistently applied by all entities in the BHP Billiton Group and are consistent with those applied in the prior year.

**Principles of consolidation**

The financial report of the BHP Billiton Group includes the combination of BHP Billiton Limited, BHP Billiton Plc and their respective subsidiaries. Subsidiaries are entities controlled by either parent entity. Control generally exists where the parent owns a majority of voting rights in the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Where the BHP Billiton Group s interest is less than 100 per cent, the share attributable to outside shareholders is reflected in outside equity interests. The effects of all transactions between entities within the BHP Billiton Group have been eliminated.

**Currency of presentation**

All amounts are expressed in US dollars unless otherwise stated.

**Intangible assets**

Amounts paid for identifiable (patents, trademarks and licences) and unidentifiable (goodwill) intangible assets are capitalised and then amortised on a straight-line basis over the expected periods of benefit. Goodwill is amortised over its useful life, not exceeding 20 years, and unamortised balances are reviewed at each balance date to assess the probability of continuing future benefits.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of the unamortised balance of any goodwill capitalised.

**Investments accounted for using the equity method**

Investments in joint venture and associated entities are accounted for using the equity method of accounting. Under the equity method, the cost of the investment in joint venture and associated entities is adjusted by the BHP Billiton Group s proportionate share of the joint venture entity s net profit or loss.

**Joint ventures**

***Joint venture entities***

A joint venture entity is an entity in which the BHP Billiton Group holds a long-term interest and which is jointly controlled by the BHP Billiton Group and one or more other venturers. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity.

***Joint venture operations***

The BHP Billiton Group has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that these policies are those of the participants, not a separate entity carrying on a trade or business of its own.

The financial statements of the BHP Billiton Group include its share of the assets, liabilities and cash flows in such joint venture operations, measured in accordance with the terms of each arrangement, which is usually pro-rata to the BHP Billiton Group s interest in the joint venture operations.

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**Notes to Financial Statements continued**

1 Statement of accounting policies continued

**Foreign currencies**

The BHP Billiton Group s reporting and dominant functional currency is US dollars as this is the principal currency in which BHP Billiton Group companies operate.

Transactions denominated in foreign currencies (currencies other than the functional currency of the entity) are recorded using the exchange rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Statement of Financial Position date and the gains or losses on retranslation are included in the Statement of Financial Performance, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration and rehabilitation which are capitalised in property, plant and equipment, and foreign exchange gains and losses on foreign exchange currency borrowings designated as a hedge of foreign currency net assets of self-sustaining operations.

Statements of Financial Performance of subsidiaries and joint venture operations which have functional currencies other than US dollars are translated to US dollars at average rates for the relevant reporting period, other than significant items which are translated at the rate at the date of the transaction. Assets and liabilities are translated at exchange rates prevailing at the relevant Statement of Financial Position date. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint venture operations, together with differences between their Statements of Financial Performance translated at average and closing rates, are shown as a movement in the exchange fluctuation account. Exchange differences arising on long-term foreign currency borrowings used to finance such investments, together with any related taxation effects, are also shown as a movement in the exchange fluctuation account. The balance of the exchange fluctuation account relating to a foreign operation that is disposed of, or partially disposed of, is transferred to retained profits in the year of disposal.

**Sales revenue**

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, of an arrangement exists indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the BHP Billiton Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectibility is reasonably assured. This is generally when title passes.

In the majority of sales for most commodities, sales agreements specify that title passes on the bill of lading date, which is the date the commodity is delivered to the shipping agent. Revenue is recognised on the bill of lading date. For certain sales (principally coal sales to adjoining power stations and diamond sales), title passes and revenue is recognised when the goods have been delivered.

In cases where the terms of the executed sales agreement allow for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of sales revenue is based on the most recently determined estimate product specifications.

Revenue is not reduced for royalties and other taxes payable from production.

**Exploration, evaluation and development expenditure**

Development expenditure, including deferred overburden removal costs, for both minerals and petroleum activities is capitalised.

In respect of minerals, exploration and evaluation expenditure is predominantly charged to the Statement of Financial Performance as incurred, in limited circumstances such expenditure is capitalised when:

- it is expected that the expenditure will be recouped by future exploitation or sale; and
- substantial exploration and evaluation activities have identified a mineral resource with sufficient certainty that permits a reasonable assessment of the existence of commercially recoverable reserves.

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**Notes to Financial Statements continued**

1 Statement of accounting policies continued

In respect of petroleum, exploration and evaluation expenditure is accounted for in accordance with the successful efforts method on an area-of-interest basis where:

- significant exploration licence acquisition costs are capitalised and amortised over the term of the licence, except for costs in new unexplored areas which are expensed as incurred;

- administrative costs that are not directed to a specific area-of-interest are expensed in the year in which they are incurred;

- all other exploration and evaluation expenditure is charged against the Statement of Financial Performance except where the expenditure relates to an area-of-interest and it is expected that the expenditure will be recouped by future exploitation or sale, or, at Statement of Financial Position date exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure is capitalised as property, plant and equipment;

- exploratory wells that find oil or gas in an area requiring major capital expenditure before production can begin are continually evaluated to assure that commercial quantities of reserves have been found or that additional exploration work is underway or planned. To the extent it is considered that the relevant expenditure will not be recovered, it is written off; and

- when proved reserves of oil or gas are determined and development is sanctioned and completed, the relevant expenditure, together with related development expenditure, is amortised on a unit of production basis.

**Deferred overburden removal costs**

Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste, required to be removed to mine the ore. Deferral of costs to the Statement of Financial Position is made, where appropriate, when actual stripping ratios vary from average stripping ratios. Deferral of costs to the Statement of Financial Position is not made where ore is expected to be evenly distributed.

Costs, which have previously been deferred to the Statement of Financial Position (deferred overburden removal costs), are included in the Statement of Financial Performance on a units of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of an operation for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the operation as a whole.

**Research and development expenditure**

Expenditure for research is included in the Statement of Financial Performance as incurred on the basis that continuing research is part of the overall cost of being in business. To the extent that future benefits deriving from development expenditure are expected beyond any reasonable doubt to exceed such expenditure, these costs are capitalised and amortised over the period of expected benefit.

**Borrowing costs**

Borrowing costs are generally expensed as incurred except where they relate to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Borrowing costs are capitalised up to the date when the asset is ready for its intended use. The amount of borrowing costs capitalised (gross of tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

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**Notes to Financial Statements continued**

1 Statement of accounting policies continued

**Property, plant and equipment**

*Valuation in financial statements*

Property, plant and equipment has been recorded at cost.

*Recoverable amounts of non-current assets*

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write-down to recoverable amounts. Assets are reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded and the asset written down, based on the amount by which the asset carrying amount exceeds the higher of net realisable value and estimated recoverable amount. Estimated recoverable amount is determined by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flows are estimated based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves, operating costs, reclamation costs and capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

*Current values of land and buildings*

The current value of land is determined mainly by reference to rating authority valuations or cost for recent acquisitions, except where land is an integral part of a producing asset with no significant value beyond such use, in which case book value is used. The current value of buildings is based primarily on depreciated replacement value. Buildings which are integral parts of producing plant are classified as plant and equipment and accordingly excluded from this valuation.

*Disposals*

Disposals are taken to account in profit/(loss) from ordinary activities. Where they represent the sale or abandonment of a significant business or all of the assets associated with such a business, they are treated as significant items.

*Mineral rights*

Mineral rights acquired by the BHP Billiton Group are accounted for at cost with provisions made where impairments in value have occurred. Exploitable mineral rights are capitalised and depreciated from commencement of production over the production life of the asset.

*Mineral leases*

The BHP Billiton Group s mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

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**Notes to Financial Statements continued**

1 Statement of accounting policies continued

*Depreciation of property, plant and equipment*

The carrying amount of property, plant and equipment (including the original capital expenditure and any subsequent capital expenditure) is depreciated to its estimated residual value over the useful economic lives of the specific assets concerned or the life of the mine or lease, if shorter. The major categories of property, plant and equipment are depreciated on a units of production and/or straight-line basis as follows:

| | |
|---|---|
| Buildings | 25 to 50 years straight-line |
| Freehold land | not depreciated |
| Plant, machinery and equipment | 4 to 30 years straight-line |
| Mineral rights | based on the estimated life of reserves on a units of production basis |
| Exploration, evaluation and development expenditure of minerals assets and other mining assets | over the life of the proven and probable reserves on a units of production basis |
| Petroleum interests | over the life of the proved developed oil and gas reserves on a units of production basis |
| Leasehold land and buildings | over the life of the lease up to a maximum of 50 years |
| Vehicles | 3 to 5 years straight-line |
| Capitalised leased assets | up to 50 years or life of lease, whichever is shorter |
| Computer systems | up to 8 years straight-line |

Changes in estimates are accounted for over the estimated remaining economic life or the remaining commercial reserves as applicable.

**Leased assets**

Assets held under leases which result in the BHP Billiton Group receiving substantially all the risks and rewards of ownership of the asset (finance leases) are capitalised as property, plant and equipment at the estimated present value of the minimum lease payments.

The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Operating lease assets are not capitalised and rental payments are generally included in the Statement of Financial Performance on a straight-line basis over the lease term. Provision is made for future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no probable future benefit.

Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

**Other financial assets**

Non-current other financial assets are stated individually at cost less provision for impairments.

Current other financial assets are recorded at the lower of cost and net realisable value and dividends are included in the Statement of Financial Performance on a receivable basis. Interest is included in the Statement of Financial

Performance on an accrual basis. In determining net realisable values, market values are used in the case of listed investments and Directors estimates are used in the case of unlisted investments.

**Inventories**

Inventories, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. In some cases, the first-in-first-out method or actual cost is used. For processed inventories, cost is derived on an absorption costing basis. Cost comprises cost of purchasing raw materials and cost of production, including attributable mining and manufacturing overheads.

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**Notes to Financial Statements continued**

1 Statement of accounting policies continued

**Taxation**

Tax-effect accounting is applied in respect of income tax and resource rent tax. Deferred tax liabilities, the provision for resource rent tax (non-current liabilities) and deferred tax assets (non-current assets) represent the tax effect of timing differences which arise from the recognition in the financial statements of items of revenue and expense in periods different to those in which they are assessable or allowable for income tax or resource rent tax purposes. Income taxes have not been provided on undistributed overseas earnings of controlled entities to the extent the earnings are intended to remain indefinitely invested in those entities.

Deferred tax is not recognised on the difference between the carrying amounts and fair value of non-monetary assets arising on acquisitions or purchased fixed assets which have subsequently been revalued unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised.

Future income tax and capital gains tax benefits in respect of losses incurred by BHP Billiton Group companies together with carried forward resource rent tax benefits are included in the Statement of Financial Performance where realisation of the benefits is considered to be virtually certain. In so doing it is recognised that the realisation of the benefits will depend upon:

(a) an expectation that legislation will not change in a manner which would adversely affect the ability of the companies concerned to realise the benefits;

(b) the ability of the companies concerned to comply with the conditions for deductibility imposed by law; and

(c) the ability of the companies concerned to derive future assessable income of a nature and of sufficient amount to enable the benefits to be realised, or to transfer tax losses to related companies.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the timing differences are expected to reverse.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

**Tax consolidation**

During the year ended 30 June 2004, the Group elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government.

As a consequence, and in accordance with Urgent Issues Group Abstract 52, the head entity in each of the tax consolidated groups recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in that group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising from its own transactions, events and balances. Entities within a tax consolidated group enter into a tax sharing agreement and tax contribution agreement with the head entity of each tax consolidated group. Amounts receivable or payable under a tax sharing and contribution agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax contribution agreement are recognised as a component of income tax expense or revenue.

Upon initial implementation, the deferred tax balances in relation to a wholly-owned entity joining each tax consolidated group are measured as if it were a stand alone entity and essentially this method of calculating the contribution requires calculation of the tax as if the entity had not been a member of the tax consolidated group, with one exception. The deferred tax balances relating to assets that have their tax values reset on joining a tax consolidated group are remeasured based on the carrying amount of those assets at a tax consolidated group level and their reset tax values. The remeasurement adjustments to these deferred tax balances are recognised in the consolidated financial statements as income tax expense or revenue.

**Provision for employee benefits**

Provision is made in the financial statements for all employee benefits, including on-costs. In relation to industry-based long service leave funds, the BHP Billiton Group s share of receivables and payables, including obligations for funding shortfalls, have been recognised.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors or provision for employee benefits in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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**Notes to Financial Statements continued**

1 Statement of accounting policies continued

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with annual leave above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Employee share awards**

The estimated cost of share awards made by the BHP Billiton Group is charged to the Statement of Financial Performance over the period from grant date to the date of expected vesting (where there are no performance hurdles) or the performance period, as appropriate. The accrued employee entitlement is recorded as an equal credit to the Employee Share Awards reserve. The estimated cost of awards is based on the market value of shares at the grant date (in the case of Long Term Incentive Plan Performance Shares, Group Incentive Scheme Performance Shares, Performance Rights, the Bonus Equity Plan, the Restricted Share Scheme and Co-Investment Plan) or the intrinsic value of options awarded (being the difference between the exercise price and the market price at the date of granting the award), adjusted to reflect the impact of performance conditions, where applicable.

Where awards are satisfied by on-market purchases, the cost of acquiring the shares is carried in the Employee Share Awards reserve, and any difference between the cost of awards and the consideration paid to purchase shares on-market is transferred to retained earnings when the shares vest to the employees unconditionally. In addition, the assets and liabilities of Employee Share Ownership Plan trusts utilised by the BHP Billiton Group to hold shares for employee remuneration schemes are consolidated.

**Superannuation, pensions and other post-retirement benefits**

The BHP Billiton Group operates or participates in a number of pension (including superannuation) schemes throughout the world. The funding of the schemes complies with local regulations. The assets of the schemes are generally held separately from those of the BHP Billiton Group and are administered by trustees or management boards. For schemes of the defined-contribution type or those operated on an industry-wide basis, where it is not possible to identify assets attributable to the participation by the BHP Billiton Group s employees, the pension charge is calculated on the basis of contributions payable.

For defined benefit schemes, the cost of providing pensions is charged to the Statement of Financial Performance so as to allocate the cost systematically over the employees service lives on the basis of independent actuarial advice. This is consistent with the principles of the UK Statement of Standard Accounting Practice (SSAP) 24 Accounting for Pension Costs . This basis of measurement takes into account the performance of scheme assets and changes in the funded status of each scheme, to the extent that deficits represent a legal or constructive obligation of the Group to its employees and that surpluses are recoverable by the Group over the expected remaining service lives of employees. A pension liability or asset is consequently recognised in the Statement of Financial Position to the extent that the contributions payable either lag or precede expense recognition. The liability or asset therefore represents those funding deficits or surpluses together with changes in the funding status of the schemes that will be recognised in the Statement of Financial Performance in future periods.

Certain BHP Billiton Group companies provide post-retirement medical benefits to qualifying employees. In some cases the benefits are provided through medical care schemes to which the company, the employees, the retirees and covered family members contribute. In some schemes there is no funding of the benefits before retirement. For the unfunded schemes and for funded schemes, where it is possible to identify assets that are attributable to current and future retirees of the BHP Billiton Group companies, the cost of providing the post-retirement benefits is charged to the Statement of Financial Performance so as to allocate the cost systematically over the employees service lives on the basis of independent actuarial advice, in a manner similar to that applied for defined benefit pension schemes. For other funded schemes the charge to the Statement of Financial Performance is calculated on the basis of premiums

payable.

**Provision for restoration and rehabilitation**

BHP Billiton Group companies are generally required to restore mines, oil and gas facilities and processing sites, either during or at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the BHP Billiton Group s environmental policies.

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**Notes to Financial Statements continued**

1 Statement of accounting policies continued

The expected cost of any approved decommissioning or restoration programme, discounted to its net present value, is provided when the related environmental disturbance occurs, based on the BHP Billiton Group s interpretation of environmental and regulatory requirements and its own environmental policies where these are more stringent and this has created an obligation on the BHP Billiton Group. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and any related asset, and the effect is then recognised in the Statement of Financial Performance on a prospective basis over the remaining life of the operation.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances. Such costs are recognised where environmental contamination as a result of oil and chemical spills, seepage or other unforseen events give rise to a loss which is probable and reliably estimable.

The cost of other activities to prevent and control pollution and to rehabilitate the environment that is not included in provisions is charged to the Statement of Financial Performance as incurred.

**Financial instruments**

The BHP Billiton Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices and, in certain circumstances, uses derivative financial instruments (including cash settled commodity contracts) to hedge these risks.

When undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both realised and unrealised transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of that transaction will be included in the Statement of Financial Performance whether or not such derivative is terminated.

When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a) deferred and included in the measurement of the anticipated transaction when it occurs; or

(b) included in the Statement of Financial Performance where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in other assets and are deferred and included in the settlement of the underlying transaction.

**Use of estimates**

The preparation of the BHP Billiton Group s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenue and costs during the period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and costs. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**Rounding of amounts**

Amounts in this financial report have, unless otherwise indicated, been rounded to the nearest million dollars.

**Comparatives**

Where applicable, comparatives have been adjusted to disclose them on a comparable basis with current period figures. Amounts owing to joint venture participants of US$196 million at 30 June 2004 were reclassified from current payables to current interest bearing liabilities to better reflect the funding nature of these amounts.

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**Notes to Financial Statements continued**

1 Statement of accounting policies continued

**Exchange rates**

The following exchange rates against the US dollar have been utilised in these financial statements:

| | **Average 2005** | Average 2004 | **As at 30 June 2005** | As at 30 June 2004 |
|---|---|---|---|---|
| Australian dollar [(a)] | **0.75** | 0.71 | **0.76** | 0.69 |
| Brazilian real | **2.73** | 2.94 | **2.36** | 3.11 |
| Canadian dollar | **1.25** | 1.35 | **1.23** | 1.35 |
| Chilean peso | **595** | 634 | **579** | 637 |
| Colombian peso | **2 454** | 2 779 | **2 329** | 2 699 |
| South African rand | **6.21** | 6.89 | **6.67** | 6.27 |
| Euro | **0.79** | 0.84 | **0.83** | 0.83 |
| UK pound sterling | **0.54** | 0.58 | **0.55** | 0.56 |

(a) Displayed as US$ to A$1 based on common convention.

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**Notes to Financial Statements continued**

**2 Significant items**

Individually significant items (before outside equity interests) included within the BHP Billiton Group s net profit are detailed below.

| Year ended 30 June 2005 | Gross US$M | Tax US$M | Net US$M |
|---|---|---|---|
| **Significant items by Category** | | | |
| Sale of equity interest in North West Shelf Project | **56** | | **56** |
| Sale of Laminaria and Corallina | **134** | **(10)** | **124** |
| Disposal of Chrome operations | **142** | **(6)** | **136** |
| Restructuring provisions | **(79)** | **23** | **(56)** |
| Provision for termination of operations | **(266)** | **80** | **(186)** |
| Closure plans | **(121)** | **17** | **(104)** |
| **Total by category** | **(134)** | **104** | **(30)** |
| **Significant items by Customer Sector Group** | | | |
| Petroleum | **190** | **(10)** | **180** |
| Base Metals | **(30)** | **(4)** | **(34)** |
| Carbon Steel Materials | **(285)** | **80** | **(205)** |
| Energy Coal | **(93)** | **27** | **(66)** |
| Diamonds and Specialty Products | **(6)** | **1** | **(5)** |
| Stainless Steel Materials | **137** | **(5)** | **132** |
| Group and unallocated items | **(47)** | **15** | **(32)** |
| **Total by Customer Sector Group** | **(134)** | **104** | **(30)** |

*Sale of equity interest in North West Shelf Project*

During the year ended 30 June 2005, BHP Billiton sold an equity participation in the North West Shelf (NWS) Project to China National Offshore Oil Corporation (CNOOC). CNOOC purchased an interest in a new joint venture that is being established within the NWS Project to supply LNG to the Guangdong LNG Project in China. CNOOC will acquire title to approximately 5.8per cent of current NWS Project gas reserves and rights to process its gas and associated LPG and condensate through NWS venture offshore and onshore infrastructure. CNOOC paid each joint venture partner US$59 million resulting in a profit on sale of US$56 million (no tax effect).

*Sale of Laminaria and Corallina*

In January 2005, the Group disposed of its interest in the Laminaria and Corallina oil fields to Paladin Resources plc. Proceeds on the sale were US$130 million resulting in a profit before tax of US$134 million (US$10 million tax expense).

*Disposal of Chrome operations*

Effective 1 June 2005, BHP Billiton disposed of its economic interest in the majority of its South African chrome business to the Kermas Group. The total proceeds on the sale were US$421 million, resulting in a profit of US$127 million (US$1 million tax expense) in accordance with Australian GAAP. In addition, the Group sold its interest in the Palmiet chrome business to Mogale Alloys in May 2005 for proceeds of US$12 million, resulting in a profit of US$15 million (US$5 million tax expense).

The BHP Billiton share of profit before tax on disposal of the Chrome operations is US$90 million (US$4 million tax expense), whilst the minority interest in the profit after tax of the disposal was US$50 million.

*Restructuring provisions*

The Group is required to record a charge against earnings in respect of restructuring certain operations. This totalled US$79 million (US$56 million after tax) and related to a charge of US$50 million (US$15 million tax benefit) in respect of restructuring associated with the acquisition of WMC in June 2005 primarily relating to redundancy and termination costs, office closures and termination of previous contractual arrangements and a charge of US$29 million (US$8 million tax benefit) for other restructurings, primarily for redundancies at Ingwe (South Africa).

*Provision for termination of operations*

The Group decided to decommission the Boodarie Iron (Australia) operations and a charge of US$266 million (US$80 million tax benefit) relating to termination of the operation was recognised. The charge primarily relates to settlement of existing contractual arrangements, plant decommissioning, site rehabilitation, redundancy and other closure related costs/charges associated with the closure.

*Closure plans*

As part of the Group s regular review of decommissioning and site restoration plans, the Group reassessed plans in respect of certain closed operations. A total charge of US$121 million (US$104 million after tax) was recorded and included a charge of US$73 million (US$21 million tax benefit) for closed mines at Ingwe (South Africa) in relation to revision of the Group s assessed rehabilitation obligation, predominantly resulting from revised water management plans and a charge of US$48 million (US$4 million tax expense) in relation to other closed mining operations.

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**Notes to Financial Statements continued**

2 Significant items continued

| Year ended 30 June 2004 | Gross US$M | Tax US$M | Net US$M |
|---|---|---|---|
| **Significant items by category** | | | |
| Introduction of tax consolidation regime in Australia | | 267 | 267 |
| Litigation settlement | 66 | (18) | 48 |
| US and Canadian taxation deductions | | 238 | 238 |
| Closure plans | (534) | 22 | (512) |
| **Total by category** | (468) | 509 | 41 |
| **Significant items by Customer Sector Group** | | | |
| Petroleum | 66 | (18) | 48 |
| Base Metals | (482) | 11 | (471) |
| Stainless Steel Materials | (10) | 3 | (7) |
| Group and unallocated items | (42) | 513 | 471 |
| **Total by Customer Sector Group** | (468) | 509 | 41 |

*Introduction of tax consolidation regime in Australia*

During the year ended 30 June 2004, BHP Billiton elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government. Under the transitional rules, the Group chose to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of these assets. This resulted in the restatement of deferred tax balances and a tax benefit of US$267 million being recorded in accordance with Urgent Issues Group Abstract 52.

*Litigation settlement*

In December 2003, BHP Billiton announced that it was part of a consortium that had reached a settlement with Dalmine SpA with respect to a claim brought against Dalmine in April 1998. The claim followed the failure of an underwater pipeline installed in 1994 in the Liverpool Bay area of the UK continental shelf. As a result of the settlement, BHP Billiton recorded a gain of US$66 million, before tax expense of US$18 million.

*US and Canadian taxation deductions*

During the year ended 30 June 2004, the level of certainty regarding potential benefits arising from prior period taxation deductions and foreign tax credits available in the US and Canada increased to the extent that some of the provisions against deferred tax assets established in prior years were no longer necessary. This was a result of higher income generation, changes in legislation and effective utilisation of tax credits during the year, along with increasing confidence regarding the ability to realise benefits in the future. Accordingly, the Group recorded a tax benefit of US$238 million.

*Closure plans*

During the year ended 30 June 2004, the Group refined its plans in relation to certain closed operations. In relation to the Group s Southwest Copper business in the US, this resulted in a charge of US$425 million resulting from a re-estimation of short-term closure costs and the inclusion of residual risks, longer-term water management and other costs, and an increase in the residual value of certain assets. Additionally, at other closed sites a charge of US$109 million (before a tax benefit of US$22 million) was recorded, mainly in relation to the Island Copper mine, the Newcastle Steelworks and the Selbaie copper mine. Accordingly, the Group has recorded a net after-tax loss of US$512 million. Refer note 29.

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**Notes to Financial Statements continued**

**3 Acquired operations**

On 3 June 2005 the BHP Billiton Group obtained control of WMC Resources Ltd (WMC) with acceptance for 76.25 per cent of the equity shares. On 17 June the BHP Billiton Group had acquired more than 90 per cent of the equity shares in WMC, which triggered the compulsory acquisition of all remaining shareholdings. Payment for 100 per cent ownership was completed on 2 August. WMC was acquired for a total cash consideration of US$7 229 million made up of a price of A$7.85 per share plus acquisition related costs.

WMC was one of Australia s leading resource companies. WMC s major assets are:

- the Olympic Dam copper/uranium/gold mine and related treatment plants located in South Australia;
- an integrated nickel mining, refining and smelting business with operations in Western Australia;
- The Queensland Fertilizer Operation (QFO) which consists of an integrated phosphate mine and ammonium phosphate fertiliser production facility; and
- the Corridor Sands mineral sands project in Mozambique.

Olympic Dam produces copper, uranium, gold and silver. It is the fourth largest copper reserve, the fourth largest gold reserve and the largest uranium reserve in the world, and is the largest underground mine in Australia. Olympic Dam consists of an underground mine and a mineral processing plant, smelter and refinery with associated supporting infrastructure. Copper and uranium sales are the major revenue stream for Olympic Dam. Gold and silver are also mined and sold. Uranium oxide concentrate is sold under long-term contracts with major international power companies.

The WMC nickel operations consist of ore treatment facilities at Kambalda, mining and milling operations at Mt Keith and Leinster, a nickel smelter in Kalgoorlie and a refinery in Kwinana. WMC purchases nickel ore from a variety of mines for processing through the treatment facility at Kambalda. Kambalda concentrate is transported to the nickel smelter at Kalgoorlie. Mt Keith is a large open-cut mine where ore is mined and the concentrate transported to Leinster for drying. Leinster comprises both underground and open-cut mines as well as treatment and drying facilities. Blended concentrate from Leinster and Mt Keith is transported to the smelter. The smelter processes the concentrate received and produces nickel matte, of which the majority is further processed at the Kwinana refinery to produce high purity nickel briquettes, nickel powder and other nickel intermediate products. The nickel concentrate, matte and metal production is exported to Asia, Europe and North America and is principally used in making stainless steels.

WMC s fertiliser operations consists of QFO, which is an ammonium phosphate manufacturing facility with distribution and marketing operations, and a one-third investment in Hi-Fert, which distributes and markets fertiliser products. QFO produces and markets di-ammonium phosphate and mono-ammonium phosphate. The QFO includes a sulphuric acid plant at Mt Isa, a mining operation and fertiliser plant at Phosphate Hill and storage and port facilities at Townsville. The finished product is distributed in Australia by Incitec Pivot, Hi-Fert, Summitt and Impact, and by Cargill internationally under a marketing agreement. Hi-Fert procures, markets and distributes all major fertilisers into eastern Australia and is the second largest distributor to that region. Hi-Fert owns patented coating technology that it uses to provide value-added products including zinc and sulphur-coated products.

WMC s Corridor Sands mineral sands project is located in Mozambique and is expected to culminate in an integrated mining, concentration and smelting operation to produce titanium dioxide slag. Titanium dioxide feedstocks are used to produce pigments, titanium metal and other specialist products.

BHP Billiton expects the acquisition of WMC to provide a number of benefits. These include the following:

- WMC s nickel business comprises an outstanding set of assets, in terms of operating capability, country risk, scale and environmental standards, which complements BHP Billiton s existing nickel business. The combined business will have a range of operations, products and technologies that will provide a robust and flexible platform for further growth.

BHP Billiton now operates two of the world s four largest copper deposits. BHP Billiton s track record in developing and operating Escondida, the world s largest copper mine, will allow the Group to maximise the value of the large, long-life Olympic Dam resource base.

BHP Billiton is now a major producer of uranium with the largest resource base in the world. Uranium is an important energy source in an increasingly energy intensive world. Not only is this valuable on a stand-alone basis, but it complements BHP Billiton s existing energy portfolio of oil, gas and coal.

BHP Billiton can maximise synergies in the nickel and copper business, marketing and other corporate functions. BHP Billiton will eliminate duplicate functions by using the proven systems and processes that were successfully used following the BHP Billiton merger in 2001.

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**Notes to Financial Statements continued**

3 Acquired operations continued

The following table details the fair value of the net assets acquired:

| | Book value US$M | Adjustment for accounting policies US$M | Provisional fair value adjustments US$M | Provisional fair value US$M |
|---|---|---|---|---|
| Cash assets | **396** | | | **396** |
| Receivables | **444** | | **(162)** | **282** |
| Inventories | **520** | **(21)** | **116** | **615** |
| Investments accounted for using the equity method | **33** | | **(8)** | **25** |
| Property, plant and equipment | **4 428** | | **2 708** | **7 136** |
| Other assets | **84** | | **(1)** | **83** |
| Current liabilities | **(477)** | **(5)** | **35** | **(447)** |
| Non-current liabilities | **(1 454)** | **(42)** | **452** | **(1 044)** |
| Net assets acquired | **3 974** | **(68)** | **3 140** | **7 046** |
| Goodwill | | | | **183** |
| Total cost of acquisition | | | | **7 229** |
| Total cost of acquisition satisfied by the following consideration: | | | | |
| Cash paid | | | | **6 594** |
| Cash payable | | | | **635** |
| | | | | **7 229** |

The book values included in the table above are the Australian dollar values of WMC assets and liabilities acquired converted to US dollars at the acquisition day rate of 0.7556.

Due to the complexity and timing of this acquisition, the fair values currently established are provisional and are subject to review during the year ended 30 June 2006.

The material provisional fair value adjustments principally relate to:

Property, plant and equipment reflecting the fair value of mineral assets, together with revaluation of property, plant and equipment representing replacement cost and estimated remaining useful lives;

Investments have been revalued to reflect current market values;

An upward revaluation of inventory balances held at Olympic Dam and nickel operations. This is a result of the fair value principles applying where the fair value is broadly defined as selling prices less costs to sell, less a reasonable profit margin for the selling effort of the acquirer. Essentially this results in a sales price being applied to value inventory as opposed to the cost recorded in the acquirer s balance sheet. As a result of this treatment,

sales margins have been recognised in advance of the inventory being sold external to the Group. When the inventory on hand at the date of acquisition is subsequently sold external to the Group, effectively no margin will be realised;

Debtors and creditors have been revalued to reflect the expected timing and amount of settlements. External fixed rate debt and derivative financial instruments have been revalued to reflect current market terms. Deferred gains and losses relating to commodity price and foreign currency hedging arrangements have been de-recognised;

Provisions include the recognition of accumulated unfunded pension liabilities; and

Deferred tax asset and liability balances have been adjusted to take into account revised fair values for book purposes and resetting of tax bases as a result of the acquisition, where applicable. Deferred tax balances relating to tax losses have been adjusted where it is not virtually certain that the Group will be able to utilise the losses.

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**Notes to Financial Statements continued**

3 Acquired operations continued

A number of the revaluation adjustments have resulted in policy alignment with BHP Billiton accounting policies and relate to:

- BHP Billiton policy in respect of decommissioning, site restoration and environmental rehabilitation provisions requires that the present value of estimated future costs of rehabilitation of operating sites is capitalised where it gives rise to future benefits and amortised over the life of the operation. Additional provisions have been raised in accordance with this policy.
- Under BHP Billiton s accounting policies, mined ore stocks held underground are not recorded as inventory until the ore is brought above ground. Accordingly, underground stocks held by WMC at the date of acquisition have been adjusted to a value of nil.

At the date of acquisition, the application of BHP Billiton policy will result in WMC adopting the US dollar as the functional currency for the majority of its operations. The provisional fair values for non-monetary items in US dollars included in the table above will represent the acquisition historical rate for WMC by BHP Billiton. The treatment of foreign currencies is detailed in the Accounting Policies section of these financial statements.

Since the acquisition, WMC cash flows have contributed US$16 million to the Group s net operating cash flows, US$50 million to net investing cash outflows and US$2 million to net financing cash inflows.

The unaudited Summarised Statement of Financial Performance of WMC for the period 1 January 2005 to 3 June 2005 prepared in accordance with the accounting policies applicable to WMC for that period prior to acquisition by BHP Billiton were as follows:

**Summarised Statement of Financial Performance for the period 1 January 2005 to 3 June 2005**

| | **US$M** |
|---|---|
| **Revenue from ordinary activities** | **1 322** |
| Profit from ordinary activities before income tax | **394** |
| Income tax expense attributable to ordinary activities | **(108)** |
| **Net profit** | **286** |
| Net exchange differences recognised directly to equity | **2** |
| **Total changes in equity other than those resulting from transactions with owners** | **288** |

The amounts included in the table above are the Australian dollar values converted to US dollars at an average rate for the period of A$1 = US$0.7739.

**Statement of Financial Performance for the year ended 31 December 2004**

For the year ended 31 December 2004, WMC reported an audited post-tax profit of A$1 327 million (US$977 million) prepared in accordance with the accounting policies used by WMC for the financial year to 31 December 2004.

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**Notes to Financial Statements continued**

**4 Revenue from ordinary activities**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Operating revenue | | |
| Sale of goods [a] | **28 805** | 22 123 |
| Rendering of services | **844** | 764 |
| **Total operating revenue** | **29 649** | 22 887 |
| Non-operating revenue | | |
| Interest income | **99** | 73 |
| Discounting on assets | **8** | 5 |
| Exchange differences on cash assets | **9** | 5 |
| Interest revenue | **116** | 83 |
| Dividend income | **37** | 35 |
| Proceeds from sales of non-current assets | **472** | 277 |
| Proceeds from sales of operations | **563** | |
| Other income | **270** | 231 |
| **Total non-operating revenue** | **1 458** | 626 |

(a) Cost of goods sold for the BHP Billiton Group was US$17 012 million (2004: US$14 279 million).

**5 Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Changes in inventories of finished goods and work in progress | **(232)** | (184) |
| Raw materials and consumables used | **4 015** | 3 116 |
| External services (including transportation) | **4 802** | 3 450 |
| Third party commodity purchases | **6 329** | 5 837 |
| Employee benefits expense [a] | **2 652** | 2 177 |
| Net book value of non-current assets sold | **304** | 176 |
| Diminution in value of non-current assets | **16** | 116 |
| Net book value of operations sold | **287** | |
| Resource rent taxes | **498** | 432 |
| Rental expense in respect of operating leases [b] | **232** | 172 |
| Government royalties paid and payable [c] | **629** | 421 |

| | | |
|---|---|---|
| Royalties other | **87** | 36 |
| Other | **1 078** | 1 335 |
| **Total expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs** | **20 697** | 17 084 |

(a) Includes US$122 million (2004: US$96 million) for employee share awards.

(b) Represents minimum lease payments.

(c) Includes amounts paid or payable to Australian governments of US$446 million (2004: US$262 million) and to other governments of US$183 million (2004: US$159 million).

**6 Depreciation and amortisation**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Depreciation relates to | | |
| Buildings | **135** | 122 |
| Plant, machinery and equipment | **1 417** | 1 299 |
| Mineral rights and other mineral assets | **266** | 188 |
| Exploration, evaluation and development expenditure | **128** | 131 |
| Capitalised leased assets | **4** | 9 |
| Total depreciation | **1 950** | 1 749 |
| Amortisation relates to | | |
| Goodwill | **44** | 44 |
| Total amortisation | **44** | 44 |
| **Total depreciation and amortisation** | **1 994** | 1 793 |

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**Notes to Financial Statements continued**
**7 Borrowing costs**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Borrowing costs paid or due and payable | | |
| On interest bearing liabilities | **379** | 365 |
| On finance leases | **6** | 2 |
| Total borrowing costs | **385** | 367 |
| *deduct* | | |
| Amounts capitalised [(a)] | **85** | 97 |
| | **300** | 270 |
| *add* | | |
| Discounting on provisions and other liabilities | **175** | 111 |
| Exchange differences on Group borrowings [(b)] | **24** | 109 |
| **Borrowing costs charged against net profit from ordinary activities** | **499** | 490 |

(a) Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction or, where financed through general borrowings, at a capitalisation rate representing the average borrowing cost of the Group s interest bearing liabilities. The capitalisation rate was 4.6 per cent (2004: 4.6 per cent).

(b) Exchange differences primarily

represent the effect on borrowings of the movement in the South African rand against the US dollar.

**8 Other profit and loss items**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Net profit before tax from ordinary activities is after crediting the following items:** | | |
| Profits from sales of | | |
| Investments | **43** | 6 |
| Property, plant and equipment | **130** | 98 |
| Operations | **276** | |
| Net movement in the doubtful debts provision in respect of | | |
| Trade receivables | | 1 |
| Sundry receivables | **2** | 5 |
| Reversals of impairment losses | | 95 |
| **Net profit before tax from ordinary activities is after charging the following items:** | | |
| Losses from sales of | | |
| Property, plant and equipment | **5** | 3 |
| Diminution in value of | | |
| Investments | | 3 |
| Property, plant and equipment (excluding depreciation) | **14** | 61 |
| Exploration, evaluation and development expenditures | | |
| Incurred and expensed in current period | **351** | 284 |
| Previously capitalised, written off as unsuccessful or abandoned | **2** | 52 |
| Net foreign exchange loss | | |
| Borrowings | **24** | 109 |
| Other | **103** | 65 |
| Bad debts written off in respect of | | |
| Sundry receivables | **1** | 1 |
| Research and development costs before crediting related grants | **33** | 19 |
| Material transfers to/(from) provision for | | |
| Resource rent tax | **34** | 30 |
| Employee benefits | **408** | 391 |
| Restoration and rehabilitation | **331** | 791 |
| Restructuring | **283** | (29) |
| Post-retirement benefits | **48** | 62 |
| | | |
| **Remuneration of auditors** | | |
| Audit fees payable by the BHP Billiton Group to: | | |
| Auditors of the BHP Billiton Group [(a)] | | |
| KPMG | **10.087** | 7.751 |
| PricewaterhouseCoopers | **0.577** | 0.537 |

| | | |
|---|---|---|
| Total audit fees | **10.664** | 8.288 |

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**Notes to Financial Statements continued**

8 Other profit and loss items continued

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Fees payable by the BHP Billiton Group to auditors for other services | | |
| Auditors of the BHP Billiton Group | | |
| Audit related services [b] | | |
| KPMG | **1.141** | 0.354 |
| Taxation services [c] | | |
| KPMG | **1.500** | 1.525 |
| Other services [d] | | |
| KPMG | **0.110** | 0.313 |
| PricewaterhouseCoopers | **1.457** | 0.418 |
| Total other services | **4.208** | 2.610 |
| **Total fees** | **14.872** | 10.898 |

(a) During the year ended 30 June 2004, the BHP Billiton Group completed a review of its joint external audit arrangements and KPMG was selected to continue as sole auditor. Audit fees for PricewaterhouseCoopers in 2005 arose as a result of the acquisition of WMC where PricewaterhouseCoopers were auditors of WMC up to 30 June 2005.

(b) Mainly includes accounting advice and services associated with securities offerings. For the year ended 30 June 2005, audit fees of US$0.328 million (2004: US$0.252 million) relating to pension plans, which are not directly payable by the BHP Billiton Group, have

been excluded from the above analysis.

(c) Mainly includes tax compliance services and employee expatriate taxation services.

(d) Mainly includes certifications and non-financial audits.

**9 Income tax**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Income tax expense** | | |
| Prima facie tax calculated at 30 per cent on profit from ordinary activities | **2 544** | 1 311 |
| ***add/(deduct)*** **tax-effect of permanent differences:** | | |
| Investment and development allowance | **(153)** | (83) |
| Amounts under/(over) provided in prior years | **60** | (14) |
| Recognition of prior year tax losses and tax credits | **(84)** | (316) |
| Non-deductible accounting depreciation and amortisation | **75** | 68 |
| Non-deductible dividends on redeemable preference shares | **9** | 8 |
| Non tax-effected operating losses | **84** | 222 |
| Tax rate differential on non-Australian income | **10** | (49) |
| Non tax-effected capital gains | **(70)** | (5) |
| Foreign expenditure including exploration not presently deductible | **7** | 5 |
| South African secondary tax on companies | **32** | |
| Foreign exchange losses on current and deferred tax balances | **37** | 76 |
| Other foreign exchange gains and translation adjustments | **(156)** | (26) |
| Tax rate changes | **(17)** | 13 |
| Introduction of Australian tax consolidation regime | | (267) |
| Other | **(138)** | (73) |
| **Income tax expense attributable to ordinary activities** | **2 240** | 870 |

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**Notes to Financial Statements continued**
9 Income tax continued

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Deferred tax assets (non-current)** | | |
| ***Deferred tax assets at year end comprises:*** | | |
| Depreciation | **(132)** | (172) |
| Exploration expenditure | **70** | 80 |
| Provisions | | |
| Employee benefits | **27** | 34 |
| Restoration and rehabilitation | **25** | 42 |
| Other | **37** | 39 |
| Deferred income | **21** | 23 |
| Foreign exchange (gains)/losses | **(1)** | 5 |
| Foreign tax credits | **342** | 179 |
| Deferred charges | **(131)** | (178) |
| Profit in inventory elimination | **42** | 18 |
| Tax-effected losses | **300** | 380 |
| Other | **60** | 52 |
| **Total deferred tax assets** | **660** | 502 |

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Deferred tax liabilities (non-current)** | | |
| ***Provision for deferred income tax at year end comprises:*** | | |
| Depreciation | **2 031** | 1 629 |
| Exploration expenditure | **(51)** | (5) |
| Provisions | | |
| Employee benefits | **(159)** | (98) |
| Restoration and rehabilitation | **(476)** | (329) |
| Resource rent tax | **(122)** | (111) |
| Other | **(8)** | 55 |
| Deferred income | **(79)** | (89) |
| Deferred charges | **270** | 136 |
| Foreign exchange losses | **(203)** | (181) |
| Tax-effected losses | **(67)** | (46) |
| Other | **174** | 82 |
| **Total provision for deferred income tax** | **1 310** | 1 043 |
| Non-current provision for income tax | **8** | 10 |
| **Total deferred tax liabilities** | **1 318** | 1 053 |

**Factors that may affect future tax charges**

The BHP Billiton Group operates in many countries across the world, each with separate taxation authorities which results in significant complexity. At any point in time there are tax computations which have been submitted but not agreed by those tax authorities and matters which are under discussion between Group companies and the tax authorities. The Group provides for the amount of tax it expects to pay taking into account those discussions and professional advice it has received. Whilst conclusion of such matters may result in amendments to the original computations, the Group does not believe that such adjustments will have a material adverse effect on its financial position, though such adjustments may be significant to any individual year s Statement of Financial Performance.

Those countries where tax rates are higher than the UK tax rate of 30 per cent include Canada (approximately 36 per cent), Colombia (37 per cent), Chile (effective rate of 35 per cent), South Africa (effective rate of approximately 37 per cent) and the US (35 per cent). Furthermore, petroleum operations in the UK are subject to an additional 10 per cent tax above the ordinary UK tax rate of 30 per cent.

The BHP Billiton Group s subsidiaries generally have tax balances denominated in currencies other than US dollars. Where the subsidiary has a US dollar functional currency, any adjustments on translation of such balances will be taken to the tax charge for the period. The level of such adjustments in future years is dependent upon future movements in exchange rates relative to the US dollar.

As at 30 June 2005, the BHP Billiton Group has not recognised a potential tax expense of US$516 million (2004: US$255 million; 2003: US$240 million), which mainly relates to the tax impact of unrealised foreign exchange gains and losses on US dollar net debt held by subsidiaries which maintain local currency records for tax purposes. The tax expense will be recognised when such gains and losses are realised for tax purposes.

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**Notes to Financial Statements continued**

9 Income tax continued

In June 2005, the Australian Taxation Office (ATO) issued assessments against BHP Billiton subsidiary BHP Billiton Finance Ltd in respect of the 2000, 2001 and 2002 financial years. The assessments relate to the deductibility of bad debts in respect of funding Australian subsidiary company operations. The assessments are for primary tax of US$444 million and interest (net of tax) and penalties of US$284 million. In August 2005, the ATO advised it will be issuing further flow on amended assessments for subsidiaries which received related loss transfers from BHP Billiton Finance Ltd involving primary tax of approximately US$118 million and interest (net of tax) and penalties of US$76 million.

Objections are being lodged against all assessments. As at 30 June 2005 the total amount in dispute relating to loans to subsidiaries which undertook the Beenup, Boodarie Iron and Hartley projects is approximately US$963 million including accrued interest on unpaid amounts (after tax). An amount of US$414 million has been paid pursuant to ATO disputed assessments guidelines, of which US$368 million was paid in July 2005. Upon any successful challenge of the assessments, any sums paid will be refundable with interest.

The Group has taken legal advice and remains confident of its position and intends to vigorously defend the claims.

*Tax losses and timing differences*

At 30 June 2005, the BHP Billiton Group has ordinary tax losses and capital losses of approximately US$3 591 million (2004:

US$2 535 million), and gross timing differences of US$2 025 million (2004: US$1 586 million) which have not been tax effected. The Group recognises tax losses to the extent that it expects to earn virtually certain future profits that can absorb those losses.

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**Notes to Financial Statements continued**

**10 Segment results**

The BHP Billiton Group has grouped its major operating assets into the following Customer Sector Groups (CSGs):

Petroleum (exploration for and production, processing and marketing of hydrocarbons including oil, gas and LNG);

Aluminium (exploration for and mining of bauxite, processing and marketing of aluminium and alumina);

Base Metals (exploration for and mining, processing and marketing of copper, silver, zinc, lead and copper by-products including gold);

Carbon Steel Materials (exploration for and mining, processing and marketing of coking coal, iron ore and manganese);

Diamonds and Specialty Products (EKATI diamond mine, titanium operations, fertilisers, exploration and technology activities);

Energy Coal (exploration for and mining, processing and marketing of steaming coal); and

Stainless Steel Materials (exploration for and mining, processing and marketing of chrome and nickel).

Net unallocated interest represents the charge to profit of debt funding to the BHP Billiton Group.

Group and unallocated items represent Group centre functions and certain comparative data for divested assets and investments.

It is the Group s policy that inter-segment sales are made on a commercial basis.

**Industry segment information**

| US$ million | External Revenue (a) | Inter-segment revenue (a) | Share of net profit of equity accounted investments | Profit before tax (b)(c) | Gross segment assets | Gross segment liabilities | Depreciation and amortisation | Other non-cash items | Capital Expenditure (d) | Carrying value of equity accounted investments |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 30 June 2005** | | | | | | | | | | |
| Petroleum | **6 175** | **62** | | **2 014** | **6 563** | **2 241** | **616** | **6** | **946** | **112** |
| Aluminium | **5 324** | **5** | | **939** | **6 244** | **790** | **264** | | **280** | |
| Base Metals | **4 609** | | **194** | **1 834** | **9 127** | **1 759** | **266** | **31** | **661** | **390** |
| Carbon Steel Materials | **7 330** | **27** | **148** | **2 346** | **5 297** | **1 973** | **304** | **265** | **1 065** | **336** |
| Diamonds and Specialty Products | **765** | **20** | **80** | **278** | **1 738** | **265** | **176** | **3** | **239** | **138** |
| Energy Coal | **3 054** | | **141** | **310** | **2 889** | **1 482** | **197** | **99** | **169** | **549** |
| Stainless Steel Materials | **2 712** | | **1** | **814** | **5 194** | **630** | **148** | **4** | **444** | |
| Group and unallocated | **1 022** | | | **329** | **5 058** | **14 606** | **23** | **163** | **27** | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| items [e] | | | | | | | | | | |
| | **30 991** | **114** | **564** | **8 864** | **42 110** | **23 746** | **1 994** | **571** | **3 831** | **1 525** |
| Net unallocated interest | **116** | | | **(383)** | | | | **182** | | |
| **BHP Billiton Group** | **31 107** | **114** | **564** | **8 481** | **42 110** | **23 746** | **1 994** | **753** | **3 831** | **1 525** |
| Year ended 30 June 2004 | | | | | | | | | | |
| Petroleum | 5 681 | 50 | | 1 450 | 6 099 | 2 121 | 587 | (55) | 927 | 98 |
| Aluminium | 4 440 | | | 742 | 6 060 | 643 | 246 | | 272 | |
| Base Metals | 3 001 | | 45 | 570 | 4 024 | 1 421 | 255 | 482 | 215 | 212 |
| Carbon Steel Materials | 4 640 | 7 | 78 | 1 030 | 4 145 | 1 249 | 230 | 2 | 662 | 286 |
| Diamonds and Specialty Products | 698 | 22 | 19 | 302 | 1 222 | 234 | 125 | 29 | 188 | 250 |
| Energy Coal | 2 351 | | 85 | 101 | 2 499 | 1 015 | 207 | 67 | 141 | 519 |
| Stainless Steel Materials | 1 779 | | | 551 | 2 093 | 346 | 108 | 14 | 151 | 4 |
| Group and unallocated items [e] | 840 | | (4) | 30 | 5 037 | 8 725 | 35 | 141 | 33 | |
| | 23 430 | 79 | 223 | 4 776 | 31 179 | 15 754 | 1 793 | 680 | 2 589 | 1 369 |
| Net unallocated interest | 83 | | | (407) | | | | 210 | | |
| BHP Billiton Group | 23 513 | 79 | 223 | 4 369 | 31 179 | 15 754 | 1 793 | 890 | 2 589 | 1 369 |

(a) Total segment revenue equals external revenue plus inter-segment revenue.

(b) Before outside equity interests.

(c) Excludes income tax expense for BHP Billiton Group of US$2 240 million (2004: US$870 million), which

results in a net profit after income tax expense of US$6 241 million (2004: US$3 499 million).

(d) Excluding investment expenditure, capitalised borrowing costs and capitalised exploration.

(e) Includes consolidation adjustments.

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**Notes to Financial Statements continued**

10 Segment results continued

**Geographical segment information**

| US$ million | External revenue by location of customer [a] | Gross segment assets | Capital expenditure |
|---|---|---|---|
| **Year ended 30 June 2005** | | | |
| Australia | **3 115** | **20 580** | **1 877** |
| North America | **2 174** | **3 368** | **894** |
| Europe | **10 374** | **3 080** | **55** |
| South America | **1 155** | **5 682** | **745** |
| Southern Africa | **1 820** | **5 175** | **225** |
| Japan | **3 620** | | |
| South Korea | **1 876** | | |
| China | **3 628** | | |
| Other Asia | **2 100** | | |
| Rest of World | **1 245** | **943** | **35** |
| Non-operating assets | | **3 282** | |
| **BHP Billiton Group** | **31 107** | **42 110** | **3 831** |
| Year ended 30 June 2004 | | | |
| Australia | 2 026 | 10 820 | 1 228 |
| North America | 1 880 | 2 406 | 621 |
| Europe | 8 638 | 2915 | 53 |
| South America | 727 | 4 935 | 238 |
| Southern Africa | 1 381 | 5 635 | 341 |
| Japan | 2 675 | | |
| South Korea | 1 538 | | |
| China | 2 239 | | |
| Other Asia | 1 512 | | |
| Rest of World | 897 | 948 | 108 |
| Non-operating assets | | 3 520 | |
| BHP Billiton Group | 23 513 | 31 179 | 2 589 |

**11 Dividends**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **BHP Billiton Limited** [a] [b] | | |
| Dividends paid | **842** | 619 |

| | | |
|---|---|---|
| | **842** | 619 |
| **BHP Billiton Plc** [(a)] | | |
| Dividends paid | | |
| Ordinary shares | **567** | 406 |
| Preference shares [(c)] | | |
| | **567** | 406 |
| **Total dividends paid** | **1 409** | 1 025 |

| | **2005 US cents** | 2004 US cents |
|---|---|---|
| **Dividends per share** [(a)] | | |
| Prior year final dividend paid [(d)] | **9.5** | |
| First interim dividend paid | **13.5** | 8.0 |
| Second interim dividend paid | | 8.5 |
| | **23.0** | 16.5 |
| Current year final dividend declared [(d)] | **14.5** | 9.5 |
| | **37.5** | 26.0 |

Dividends are stated net of amounts which are not payable outside the BHP Billiton Group under the terms of the share repurchase scheme and ESOP trusts.

(a) BHP Billiton Limited dividends per American Depositary Share (ADS) for 2005 were 46.0 US cents per share (2004: 33.0 US cents per share). BHP Billiton Plc dividends per ADS for 2005 were 46.0 US cents per share (2004: 33.0 US cents per share). Each ADS represents two ordinary shares.

(b) BHP Billiton dividends for all periods presented

are fully franked.

(c) 5.5 per cent dividend on 50 000 preference shares of £1 each (2004: 5.5 per cent).

(d) Subsequent to year end on 24 August 2005, BHP Billiton declared a final dividend of 14.5 US cents per share fully franked (2004: 9.5 US cents per share on 18 August 2004) which will be paid on 28 September 2005 (2004: 22 September 2004). The final dividend has not been provided for at 30 June 2005. The final dividend not provided at 30 June 2004 is presented as a 2005 dividend in notes 33 and 35.

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**Notes to Financial Statements continued**

11 Dividends continued

For the purposes of AASB 1034 Financial Reports Presentation and Disclosures , the Group had an adjusted franking account balance of US$328 million (on a tax paid basis) at 30 June 2005. It is anticipated that dividends payable in the following year will be fully franked.

**12 Earnings per share**

| | **2005** | 2004 |
|---|---|---|
| Basic earnings per share (US cents) | **98.1** | 54.7 |
| Diluted earnings per share (US cents) | **97.6** | 54.5 |
| Basic earnings per ADS (US cents) [(a)] | **196.2** | 109.4 |
| Diluted earnings per ADS (US cents) [(a)] | **195.2** | 109.0 |
| Basic earnings (US$ million) | **6 009** | 3 403 |
| Diluted earnings (US$ million) | **6 012** | 3 403 |

The weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

| | **2005 Million** | 2004 Million |
|---|---|---|
| Weighted average number of shares [(b)] | | |
| Basic earnings per share denominator | **6 124** | 6 218 |
| Shares and options contingently issuable under employee share ownership plans | **34** | 28 |
| Diluted earnings per share denominator | **6 158** | 6 246 |

(a) Each American Depository Share (ADS) represents two ordinary shares.

(b) Under the terms of the DLC merger, the rights to dividends of a holder of an ordinary share in BHP Billiton Plc and a holder of an ordinary share in BHP Billiton Limited are identical. Consequently, earnings per share have been

calculated on the basis of the aggregate number of ordinary shares ranking for dividend. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the share repurchase scheme and the Group s ESOP trusts.

**13 Receivables (current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Trade receivables | **2 527** | 2 018 |
| *deduct* Provision for doubtful debts | **(4)** | (4) |
| Total trade receivables | **2 523** | 2 014 |
| Sundry receivables | | |
| Employee Share Plan loans [(a)] | **2** | 1 |
| Other | **968** | 764 |
| *deduct* Provision for doubtful debts | **(3)** | (1) |
| Total sundry receivables | **967** | 764 |
| **Total current receivables** | **3 490** | 2 778 |

(a) Under the terms of the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent.

Interest free employee loans are available to fund the purchase of such shares for a period of up to 20 years repayable by application of dividends or an equivalent amount (refer note 31).

**14 Other financial assets (current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Securities not quoted on prescribed stock exchanges | | |
| Term deposits | **32** | 6 |
| Other investments | **180** | 161 |
| Total book value of not quoted securities [(a)(b)] | **212** | 167 |
| **Total current other financial assets** | **212** | 167 |

(a) Not quoted securities include US$167 million (2004: US$153 million) held by the Ingwe, Selbaie and Rio Algom Environmental Trust Funds. The future realisation of these investments is intended to fund environmental obligations relating to the eventual closure of Ingwe s, Selbaie s and Rio Algom s mines. Consequently these investments,

whilst under the BHP Billiton Group control, are not available for the general purposes of the BHP Billiton Group. All income from these investments is reinvested or spent to meet these obligations. The BHP Billiton Group retains responsibility for these environmental obligations until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under non-current provisions. Refer note 29.

(b) Not quoted securities include US$13 million (2004: US$14 million) relating to the BHP Billiton Group s self-insurance arrangements. These investments are held for the benefit of the BHP Billiton Group but are not available for the

general purposes
of the BHP
Billiton Group.

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**Notes to Financial Statements continued**

**15 Inventories (current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Raw materials and stores | | |
| At net realisable value | **63** | 67 |
| At cost | **531** | 382 |
| | **594** | 449 |
| Work in progress | | |
| At net realisable value | **5** | 4 |
| At cost | **768** | 371 |
| | **773** | 375 |
| Finished goods | | |
| At net realisable value | **16** | 6 |
| At cost | **1 159** | 885 |
| | **1 175** | 891 |
| Total current inventories | | |
| At net realisable value | **84** | 77 |
| At cost | **2 458** | 1 638 |
| **Total current inventories** | **2 542** | 1 715 |

**16 Other assets (current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Other deferred charges and prepayments | **160** | 176 |
| **Total current other assets** | **160** | 176 |

**17 Receivables (non-current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Employee Share Plan loans [(a)] | **58** | 62 |
| Other sundry receivables [(b)] | **561** | 686 |
| **Total non-current receivables** | **619** | 748 |

(a) Under the terms of a legacy share plan, the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent. Interest free employee loans are available to fund the purchase of such shares for a period of up to 20 years repayable by application of dividends or an equivalent amount (refer note 31).

(b) Other sundry receivables include loans to joint venture entities of US$84 million (2004: US$225 million) that are in the form of cash on deposit, with the bank having an equivalent amount on loan to the joint venture.

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**Notes to Financial Statements continued**
**18 Investments accounted for using the equity method**

| Major shareholdings in joint ventures | Principal activities | Reporting date | Ownership interest [a] At joint ventures reporting date **2005** % | 2004 % | At BHP Billiton Group reporting date **2005** % | 2004 % | Carrying value of investment **2005** US$M | 2004 US$M |
|---|---|---|---|---|---|---|---|---|
| Caesar Oil Pipeline Company LLC | Hydrocarbons transportation | 31 May | **25** | 25 | **25** | 25 | **68** | 59 |
| Cerrejon Coal Corporation | Coal mining in Colombia | 31 Dec | **33.3** | 33.3 | **33.3** | 33.3 | **533** | 503 |
| Coal Marketing Company | Coal Marketing | 31 Dec | **33** | 33 | **33** | 33 | **16** | 17 |
| Cleopatra Gas Gathering | Hydrocarbons transportation | 31 May | **22** | 22 | **22** | 22 | **44** | 39 |
| Hi-Fert Pty Ltd | Distribution and marketing of fertilisers | 31 Dec | | | **33.3** | | **25** | |
| Integris Metals Inc | Metals distribution | 31 Dec | **50** | 50 | | 50 | | 170 |
| Minera Antamina SA | Copper and zinc mining | 30 June | **33.75** | 33.75 | **33.75** | 33.75 | **390** | 213 |
| Richards Bay Minerals [b] | Mineral sands mining and processing | 31 Dec | **50** | 50 | **50** | 50 | **108** | 79 |
| Samarco Mineracao SA | Iron ore mining | 31 Dec | **50** | 50 | **50** | 50 | **304** | 261 |
| Other [c] | | | | | | | **37** | 28 |
| **Total** | | | | | | | **1 525** | 1 369 |

| | **2005** US$M | 2004 US$M |
|---|---|---|
| **Share of net profit of investments accounted for using the equity method** | | |
| Revenue [d] | **2 226** | 2 056 |
| Expenses [d] | **(1 465)** | (1 726) |
| Profit before income tax [d] | **761** | 330 |
| Income tax expense [d] | **(197)** | (107) |
| Share of net profit of investments accounted for using the equity method | **564** | 223 |
| **Share of post-acquisition retained profits of investments accounted for using the equity method** | | |
| Share of retained profits of investments accounted for using the equity method at the beginning of the financial year | **297** | 233 |

| | | |
|---|---|---|
| Share of net profit of investments accounted for using the equity method | **564** | 223 |
| Dividends received/receivable from investments accounted for using the equity method | **(255)** | (203) |
| Disposal of investments accounted for using the equity method | **(28)** | 44 |
| Share of retained profits of investments accounted for using the equity method at the end of the financial year | **578** | 297 |
| **Movements in carrying amount of investments accounted for using the equity method** | | |
| Carrying amount of investments accounted for using the equity method at the beginning of the financial year | **1 369** | 1 403 |
| Share of net profit of investments accounted for using the equity method | **564** | 223 |
| Increased investments accounted for using the equity method | **49** | 25 |
| Dividends received/receivable from investments accounted for using the equity method | **(255)** | (203) |
| Disposal of investments accounted for using the equity method | **(187)** | (79) |
| Transfers and other movements | **(15)** | |
| Carrying amount of investments accounted for using the equity method at the end of the financial year | **1 525** | 1 369 |
| **Share of contingent liabilities and expenditure commitments of investments accounted for using the equity method** | | |
| Contingent liabilities unsecured (included in note 39) | **104** | 93 |
| Contracts for capital expenditure not completed | **40** | 55 |
| Other commitments | **125** | 164 |

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**Notes to Financial Statements continued**

18 Investments accounted for using the equity method continued

| | In aggregate | | BHP Billiton Group Share | |
|---|---|---|---|---|
| | **2005 US$M** | 2004 US$M | **2005 US$M** | 2004 US$M |
| **Net assets of investments accounted for using the equity method:** | | | | |
| Current assets | **2 169** | 1 954 | **864** | 855 |
| Non-current assets | **5 363** | 5 598 | **1 946** | 2 096 |
| Current liabilities | **(1 176)** | (1 238) | **(491)** | (576) |
| Non-current liabilities | **(2 095)** | (2 622) | **(794)** | (1 006) |
| Net assets of investments accounted for using the equity method | **4 261** | 3 692 | **1 525** | 1 369 |

(a) The proportion of voting power held corresponds to ownership interest.

(b) Richards Bay Minerals comprises two legal entities, Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited of which the BHP Billiton Group s effective ownership interest is 51 per cent (2004: 51 per cent) and 49.45 per cent (2004: 49.45 per cent) respectively. In accordance with the shareholder agreement between the BHP Billiton Group

and Rio Tinto (which owns the shares of Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited not owned by the BHP Billiton Group), Richards Bay Minerals functions as a single economic entity. The overall profit of Richards Bay Minerals is shared equally between the venturers.

(c) Includes various immaterial joint venture and associated entities.

(d) Effective January 2005, the BHP Billiton Group sold its interest in Integris Metals Inc for US$202 million. In 2005, the share of net profit of investments accounted for using the equity method included the results of the Group s 50 per cent interest in Integris Metals Inc up until the date of sale. This includes revenue of

US$523 million, expenses of US$499 million, profit before income tax of US$24 million and income tax expense of US$7 million.

**19 Other financial assets (non-current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Securities quoted on prescribed stock exchanges | | |
| Shares in other corporations held at cost [(a)(b)] | **40** | 68 |
| Securities not quoted on prescribed stock exchanges | | |
| Shares in other corporations held at cost | **57** | 55 |
| **Total non-current other financial assets** | **97** | 123 |

(a) Market value of quoted securities and shares in other corporations is US$63 million (2004: US$115 million).

(b) The BHP Billiton Group has subscribed for shares in a number of listed companies in connection with option arrangements on exploration projects. The consideration has been allocated to the option and has generally been expensed in accordance with the BHP Billiton Group s accounting policy on exploration.

These investments therefore have a book value of US$nil at 30 June 2005 (2004: US$nil) in the table above and a market value of US$22 million (2004: US$19 million).

**20 Inventories (non-current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Raw materials and stores | **33** | 11 |
| Work in progress | **70** | 34 |
| **Total non-current inventories (at cost)** | **103** | 45 |

**21 Property, plant and equipment**

| | Gross value of assets **2005 US$M** | Accumulated depreciation **2005 US$M** | Net value of assets **2005 US$M** | Gross value of assets 2004 US$M | Accumulated depreciation 2004 US$M | Net value of assets 2004 US$M |
|---|---|---|---|---|---|---|
| Land and buildings [a][b] | **2 888** | **1 137** | **1 751** | 2 625 | 1 026 | 1 599 |
| Plant, machinery and equipment [c] | **28 866** | **13 755** | **15 111** | 24 757 | 12 833 | 11 924 |
| Capital works in progress [d] | **2 820** | | **2 820** | 2 331 | | 2 331 |
| Mineral rights and other mineral assets[e] | **10 270** | **1 971** | **8 299** | 4 998 | 1 704 | 3 294 |
| Exploration, evaluation and development[f] | | | | | | |
| Now in production | **2 182** | **1 300** | **882** | 2 007 | 1 214 | 793 |
| In development stage but not yet producing | **954** | | **954** | 550 | | 550 |
| In exploration and/or evaluation stage | **584** | **105** | **479** | 504 | 126 | 378 |
| Capitalised leased assets [g] | **72** | **21** | **51** | 132 | 56 | 76 |
| Total property, plant and equipment | **48 636** | **18 289** | **30 347** | 37 904 | 16 959 | 20 945 |

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**Notes to Financial Statements continued**

21 Property, plant and equipment continued

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| (a) Current value of land and buildings (excluding extractive industry land and buildings) | | |
| Land | **80** | 75 |
| Buildings | **538** | 486 |
| | **618** | 561 |

| | **2005 US$M** |
|---|---|
| (b) Land and buildings | |
| Balance at the beginning of the financial year | **1 599** |
| Additions (including capitalised interest) | **63** |
| Acquisitions of operations and subsidiaries | **220** |
| Depreciation | **(135)** |
| Net disposals including disposal of controlled entities | **(57)** |
| Amounts written off | **(1)** |
| Transfers and other movements | **62** |
| Balance at the end of the financial year (i) | **1 751** |
| (c) Plant, machinery and equipment | |
| Balance at the beginning of the financial year | **11 924** |
| Additions (including capitalised interest) | **723** |
| Acquisitions of operations and subsidiaries | **1 925** |
| Depreciation | **(1 417)** |
| Net disposals including disposal of controlled entities | **(302)** |
| Amounts written off | **(4)** |
| Exchange variations | **(1)** |
| Transfers and other movements | **2 263** |
| Balance at the end of the financial year (i) | **15 111** |
| (d) Capital works in progress | |
| Balance at the beginning of the financial year | **2 331** |
| Additions (including capitalised interest) | **2 733** |
| Acquisitions of operations and subsidiaries | **153** |
| Net disposals including disposal of controlled entities | **(41)** |
| Exchange variations | **17** |
| Transfers and other movements | **(2 373)** |
| Balance at the end of the financial year | **2 820** |

| | |
|---|---|
| (e) Mineral rights and other mineral assets | |
| Balance at the beginning of the financial year | **3 294** |
| Additions (including capitalised interest) | **345** |
| Acquisitions of operations and subsidiaries | **4 827** |
| Depreciation | **(266)** |
| Net disposals including disposal of controlled entities | **(12)** |
| Amounts written off | **(4)** |
| Transfers and other movements | **115** |
| Balance at the end of the financial year (i)(ii) | **8 299** |
| (f) Exploration, evaluation and development expenditures carried forward | |
| Balance at the beginning of the financial year | **1 721** |
| Additions (including capitalised exploration and capitalised interest) | **786** |
| Acquisitions of operations and subsidiaries | **12** |
| Depreciation | **(128)** |
| Net disposals including disposal of controlled entities | **(10)** |
| Amounts written off | **(7)** |
| Exchange variations | **4** |
| Transfers and other movements | **(63)** |
| Balance at the end of the financial year (i) | **2315** |
| (g) Capitalised leased assets | |
| Balance at the beginning of the financial year | **76** |
| Depreciation | **(4)** |
| Transfers and other movements | **(21)** |
| Balance at the end of the financial year | **51** |

(i) The carrying value of assets includes assets written down to recoverable amount in the current and prior periods as follows:

Land and buildings: US$16 million (2004: US$25 million).
Plant, machinery and equipment: US$149 million (2004: US$178 million).
Mineral rights and other mineral assets: US$51 million (2004: US$62 million).
Exploration, evaluation and development expenditures carried forward: US$7 million (2004: US$7 million).

(ii) Includes US$965 million (2004: US$687 million) of deferred overburden removal costs.

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**Notes to Financial Statements continued**

**22 Intangible assets**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Goodwill at cost | **918** | 821 |
| *deduct* Amounts amortised | **405** | 399 |
| **Total intangible assets** | **513** | 422 |

**23 Other assets (non-current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Pension asset (refer note 41) | **310** | **282** |
| Other deferred charges and prepayments | **114** | **89** |
| **Total non-current other assets** | **424** | **371** |

**24 Payables (current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Trade creditors | **2 155** | 1 688 |
| Sundry creditors | **1 936** | 902 |
| **Total current payables** | **4 091** | 2 590 |

**25 Interest bearing liabilities (current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Current portion of unsecured long-term loans | | |
| Bank loans | **173** | 252 |
| Notes and debentures | **597** | 306 |
| Total current portion of unsecured long-term loans | **770** | 558 |
| Current portion of | | |
| Non-recourse finance | **148** | 361 |
| Secured debt (limited recourse) | **51** | 51 |
| Finance leases | **3** | 9 |
| Redeemable preference shares [(a)] | **450** | |
| Short-term interest bearing liabilities | | |
| Unsecured other | **63** | 218 |

| | | |
|---|---|---|
| Bank overdrafts | | |
| Unsecured | **15** | 133 |
| Total other current interest bearing liabilities | **730** | 772 |
| **Total current interest bearing liabilities[(b)]** | **1 500** | 1 330 |

(a) **BHP Operations Inc: Preferred stock**

*Auction market preferred stock:*

600 (2004: 600) shares issued at US$250 000 each, fully paid preferred stock; cumulative, non-participating, dividend reset on a regular basis reflecting prevailing US market rates; not entitled to any earnings growth or capital appreciation of the issuer. Redeemable at the option of the issuer on any dividend payment date or, if redeemed in full, on any business day. Guaranteed by other BHP Billiton Group companies.

*Cumulative* preferred *stock series A :*

3 000 (2004: 3 000) shares issued at US$100 000 each, fixed at 6.76

per cent per annum, fully paid and not entitled to any earnings growth or capital appreciation of the issuer. Subject to mandatory redemption on 27 February 2006. Dividends are cumulative and are calculated on the basis of a year of twelve 30 day months. Guaranteed by other BHP Billiton Group companies.

(b) Refer to note 38 for currency risk profile of interest bearing liabilities.

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**Notes to Financial Statements continued**

**26 Other provisions and liabilities (current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Employee benefits | **480** | 340 |
| Post-retirement benefits | **7** | 9 |
| Restoration and rehabilitation | **176** | 136 |
| Restructuring | **296** | 11 |
| Other | **147** | 158 |
| Total current other provisions [(a)] | **1 106** | 654 |
| Deferred income | **120** | 156 |
| **Total current other provisions and liabilities** | **1 226** | 810 |

(a) Refer to note 29 for non-current portion of provisions and movement in total provisions.

**27 Payables (non-current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Trade creditors | **4** | 1 |
| Sundry creditors | **158** | 176 |
| **Total non-current payables** | **162** | 177 |

**28 Interest bearing liabilities (non-current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Unsecured bank loans | **3 000** | 55 |
| Total non-current portion of bank loans and overdrafts | **3 000** | 55 |
| Notes and debentures | **3 793** | 3 653 |
| Commercial paper | **1 602** | |
| Redeemable preference shares | | 450 |
| Non-recourse finance | **559** | 545 |
| Secured debt (limited recourse) [(a)] | **384** | 435 |
| Finance leases | **53** | 67 |

| | | |
|---|---|---|
| Other | **235** | 248 |
| Total non-current portion of debentures and other borrowings | **6 626** | 5 398 |
| **Total non-current interest bearing liabilities[(b)]** | **9 626** | 5 453 |

(a) The limited recourse secured debt relates to the Mozal joint venture. The debt is secured by a charge over the assets of this joint arrangement and the lender has recourse to only those assets in the event of default.

(b) Refer to note 38 for currency, interest rate and maturity profiles of interest bearing liabilities.

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**Notes to Financial Statements continued**
**29 Other provisions and liabilities (non-current)**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Employee benefits [a] | **360** | 282 |
| Post-retirement benefits [b] | **325** | 326 |
| Resource rent tax | **299** | 275 |
| Restoration and rehabilitation | **3 408** | 2 647 |
| Other [c] | **227** | 166 |
| Total non-current other provisions | **4 619** | 3 696 |
| Deferred income | **362** | 348 |
| **Total non-current other provisions and liabilities** | **4 981** | 4 044 |

| | Employee benefits[a] US$M | Post-retirement benefits[b] US$M | Resource rent tax US$M | Restoration and rehabilitation[d] US$M | Restructuring US$M | Other US$M | Total US$M |
|---|---|---|---|---|---|---|---|
| **Movements in total provision balances** | | | | | | | |
| At 30 June 2004 | 622 | 335 | 275 | 2 783 | 11 | 324 | **4 350** |
| Amounts capitalised | | | | 537 | | | **537** |
| Acquisition of operations and subsidiaries | 60 | 15 | | 141 | 4 | 30 | **250** |
| Disposals of operations and subsidiaries | (7) | (19) | (10) | (61) | | | **(97)** |
| Charge/(credit) for the year | | | | | | | |
| Underlying | 360 | 55 | 11 | 163 | 283 | 179 | **1 051** |
| Discounting | | | | 168 | | | **168** |
| Exchange variation | 48 | (7) | 23 | | | 11 | **75** |
| Released during the year | | | | | | (5) | **(5)** |
| Exchange variation taken to reserves | 1 | | | 6 | | 1 | **8** |
| Utilisation | (244) | (46) | | (159) | (5) | (150) | **(604)** |
| Transfers and other movements | | (1) | | 6 | 3 | (16) | **(8)** |
| **At 30 June 2005** | **840** | **332** | **299** | **3 584** | **296** | **374** | **5 725** |
| Current (note 26) | 480 | 7 | | 176 | 296 | 147 | **1 106** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Non-current | 360 | 325 | 299 | 3 408 | 227 | **4 619** |

(a) In the year ended 30 June 2005, the average number of employees, excluding joint venture and associated entities employees and including executive Directors was 36 468 (2004: 35 070). The provision for employee entitlements includes applicable amounts for annual leave and associated on-costs, including workers compensation liabilities as detailed below:

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| ***Self-insurance workers compensation provision*** | | |
| New South Wales | **17** | 12 |
| South Australia | **2** | |
| Victoria | **3** | |
| Western Australia | **5** | 4 |
| Tasmania | **2** | |
| Queensland | **17** | 14 |
| Total workers compensation liabilities | **46** | 30 |

(b) The provision for post-retirement benefits includes current pension liabilities of US$2 million (2004:

US$1 million) and non-current pension liabilities of US$78 million (2004: US$61 million) and current post-retirement medical benefit liabilities of US$5 million (2004: US$8 million) and non-current post-retirement medical benefit liabilities of US$247 million (2004: US$265 million). Refer note 41.

(c) Provisions include non-current non-executive Directors retirement benefits of US$3 million (2004: US$2 million).

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**Notes to Financial Statements continued**

29 Other provisions and liabilities (non-current) continued

(d) The BHP Billiton Group s activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, the BHP Billiton Group has a policy of ensuring that reclamation is planned and financed from the early stages of any operation. Provision is made for the reclamation of the BHP Billiton Group s mining and processing facilities along with the decommissioning of oil platforms and infrastructure associated with petroleum activities. The estimation of the cost of future reclamation and decommissioning activities is subject to potentially significant uncertainties. These uncertainties include the legal and regulatory framework, the

magnitude of possible contamination, and the timing and extent of reclamation and decommissioning activities required. Accordingly, whilst the provisions at 30 June 2005 represent the best estimate of the future costs required, these uncertainties are likely to result in future actual expenditure differing from the amounts provided at this time.

These reclamation and decommissioning expenditures are mostly expected to be paid over the next 30 years. The provisions for reclamation and decommissioning are derived by discounting the expected expenditures to their net present value. The estimated total site rehabilitation cost (undiscounted and in today s dollars) to be incurred in the future arising from operations to date, and including

amounts already provided for, is US$6 284 million (2004: US$5 402 million).

At 30 June 2005, US$2 475 million (2004: US$1 702 million) was provided for reclamation and decommissioning costs relating to operating sites in the provision for site rehabilitation. In addition, the BHP Billiton Group has certain obligations associated with maintaining and/or remediating closed sites. At 30 June 2005, US$1 109 million (2004: $1 081 million) was provided for closed sites. The amounts provided in relation to closed sites are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly. Adjustments to the provisions in relation to these closed sites are recognised in profit and loss during the period

in which the adjustments are made with US$121 million included as asignificant item in the current year (2004: US$534 million; 2003: US$ nil). In addition to the uncertainties associated with the closure activity noted above, uncertainty remains over the extent and costs of the required short-term closure activities, the extent, cost and timing of post-closure monitoring and, in some cases, longer-term water management. Also, certain of the closure activities are subject to legal dispute and depending on the ultimate resolution of these matters the final liability could vary. The BHP Billiton Group believes that it is reasonably possible that, due to the nature of the closed site liabilities and the degree of uncertainty which surrounds them, these liabilities could be in the

order of 30 per cent (2004: 35 per cent) greater or in the order of 20 per cent lower than the US$1 109 million provided at year end. The main closed site to which this total amount relates is Southwest Copper in the US and this is described in further detail below, together with a brief description of other closed sites.

*Southwest Copper, Arizona, US*

The Southwest Copper operations comprised several mining and smelting operations and associated facilities, much of which had been operating for many years prior to the BHP Billiton Group acquiring the operation in 1996. In 1999 the facilities were effectively placed on a care and maintenance basis, pending evaluation of various alternative strategies to realise maximum

value from the respective assets. The BHP Billiton Group announced the closure of the San Manuel mining facilities, and the San Manuel plant facilities in 2002 and 2003 respectively.

A comprehensive review of closure plans conducted in the prior year indicated (a) higher short-term closure costs, due to changes in the nature of closure work required in relation to certain facilities, particularly tailings dams and waste and leach dumps; (b) a need for costs, such as water management and environmental monitoring, to continue for a longer period; and, (c) an increase in the residual value of certain assets. The closure provisions for Southwest Copper, including amounts in relation to Pinal Creek litigation, total US$731 million at 30 June 2005 (2004:

US$771 million).

In relation to Pinal Creek, BHP Copper Inc ( BHP Copper ) is involved in litigation concerning groundwater contamination resulting from historic mining operations near the Pinal Creek/Miami Wash area located in the State of Arizona.

In 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. In September 2000, the Court approved settlement reached between the parties for a non-material amount, and the terms of the settlement are now being implemented as a monitoring programme.

A State consent decree ( the Decree ) was approved by the Federal District Court for the District of

Arizona in August 1998. The Decree authorises and requires groundwater remediation and facility-specific source control activities, and the members of the Pinal Creek Group (which consists of BHP Copper, Phelps Dodge Miami Inc and Inspiration Consolidated Copper Co) are jointly liable for performing the non-facility specific source control activities. Such activities are currently ongoing. As of 30 June 2005 the BHP Billiton Group has provided US$110 million (30 June 2004: US$102 million) for its anticipated share of the planned remediation work, based on a range reasonably foreseeable up to US$138 million (30 June 2004: US$138 million), and the BHP Billiton Group has paid out US$50 million up to 30 June 2005. These amounts are based on the provisional equal

allocation of costs among the three members of the Pinal Creek Group. BHP Copper is seeking a judicial restatement of the allocation formula to reduce its share, based upon its belief, supported by relevant external legal and technical advice, that its property has contributed a smaller share of the contamination than the other parties properties. BHP Copper is contingently liable for the whole of these costs in the event that the other parties are unable to pay.

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**Notes to Financial Statements continued**

29 Other provisions and liabilities (non-current) continued

BHP Copper and the other members of the Pinal Creek Group filed a contribution action in November 1991 in the Federal District Court for the District of Arizona against former owners and operators of the properties alleged to have caused the contamination. The claim is for an undetermined amount but under current state and federal laws applicable to the case, BHP Copper should recover a significant percentage of the total remediation costs from the Defendants, based upon their operations proportionate contributions to the total contamination in the Pinal Creek drainage basin. Such action seeks recovery from these historical owners and operators for remediation and source control costs. BHP Copper s predecessors in interest have asserted a counterclaim in this action seeking indemnity from BHP Copper based upon their interpretation of the historical transaction documents relating to the succession in interest of the parties. BHP Copper has also filed suit against a number of insurance carriers seeking to recover under various insurance policies for remediation, response, source control and other costs noted above incurred by BHP Copper. The reasonable assessment of recovery in the various insurances cases has a range from US$4 million to approximately US$15 million, depending on many factors. Neither insurance recoveries nor other claims or offsets have been recognised in the financial statements and will not be recognised until such offsets are considered virtually certain of realisation.

*Other closed sites*

The closure provisions for other closed sites total US$378 million at 30 June 2005 (2004: US$310 million). The key sites covered by this amount are described briefly below.

*Newcastle Steelworks* - the BHP Billiton Group closed its Newcastle Steelworks in 1999 and retains responsibility for certain sediment in the Hunter River adjacent the former steelworks site, together with certain other site remediation activities in the Newcastle area.

*Island Copper* - the BHP Billiton Group ceased operations at its Island Copper mine in December 1995 and has responsibility for various site reclamation activities, including the long-term treatment of the pit lake and water management.

*Selbaie copper mine* - the BHP Billiton Group closed its Selbaie copper mine in January 2004 and has responsibility for site reclamation and remediation activities.

*Rio Algom* - the BHP Billiton Group has responsibility for long-term remediation costs for various closed mines and processing facilities in Canada and the US operated by Rio Algom Ltd prior to its acquisition by the former Billiton Plc in October 2000.

*Ingwe Collieries* - the BHP Billiton Group has responsibility for site reclamation and remediation activities, including the long-term management of water leaving mining properties, for closed mines within the Ingwe operations.

*Roane* - the BHP Billiton Group ceased operations at Roane chrome in 1982. A review of the closure plans during the year identified a need for additional remediation costs.

Closure provisions for other closed sites have been increased in the current period mainly due to refinements of closure plans at the Selbaie copper mine, Ingwe Collieries, Roane chrome and several other smaller sites. These increases resulted from a number of causes, including (a) a reassessment during the period of water management issues and (b) a comprehensive risk valuation completed during the period in relation to sites which closed during the last two years where closure activities have now commenced.

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**Notes to Financial Statements continued**
**30 Contributed equity and called up share capital**

| | **2005** US$M | 2004 US$M |
|---|---|---|
| **BHP Billiton Limited** | | |
| ***Paid up contributed equity*** [(a)] | | |
| 3 587 977 615 fully paid ordinary shares (2004: 3 759 487 555) | **1 611** | 1 851 |
| 195 000 ordinary shares paid to A$1.36 (2004: 405 000) [(b)] | | |
| 1 Special Voting Share (2004: 1) [(c)] | | |
| | **1 611** | 1 851 |

| | Number of shares **2005** | 2004 |
|---|---|---|
| ***Movements in fully paid ordinary shares*** | | |
| Opening number of shares | **3 759 487 555** | 3 747 687 775 |
| Shares issued on exercise of Employee Share Plan awards [(d)] | **8 859 470** | 10 764 732 |
| Partly paid shares converted to fully paid [(b)] | **347 018** | 1 035 048 |
| Shares bought back and cancelled [(a)] | **(180 716 428)** | |
| Closing number of shares [(e)] | **3 587 977 615** | 3 759 487 555 |

| | **2005** US$M | 2004 US$M |
|---|---|---|
| **BHP Billiton Plc** | | |
| ***Allotted, called up and fully paid share capital*** [(i)] | | |
| 2 468 147 002 ordinary shares of US$0.50 each (2004: 2 468 147 002) [(f)] [(g)] | **1 752** | 1 752 |
| 50 000 (2004: 50 000) 5.5% preference shares of £1 each [(h)] | | |
| 1 Special Voting Share (2004: 1) [(c)] | | |
| | **1 752** | 1 752 |

| | Number of shares **2005** | 2004 |
|---|---|---|
| ***Movements in allotted, called up and fully paid shares*** | | |
| Opening number of shares | **2 468 147 002** | 2 468 147 002 |
| Closing number of shares | **2 468 147 002** | 2 468 147 002 |

(a) On 23 November 2004,

the BHP Billiton Group completed an off-market share buy-back of 180 716 428 BHP Billiton Limited shares. In accordance with the structure of the buy-back, US$296 million was allocated to the contributed equity of BHP Billiton Limited. The final price for the buy-back was A$12.57 per share, representing a discount of 12 per cent to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including the closing date of the buy-back.

(b) 210 000 (2004: 690 000) shares paid to A$1.36 and nil (2004: 240 000) shares paid to A$1.40 were converted to fully paid during 2005. There were no partly paid shares issued during the year (2004: nil). Including bonus shares, 347 018 (2004: 1 035 048) shares were issued on conversion of

these partly paid shares. 70 000 (2004: 190 000) partly paid shares are entitled to 79 928 (2004: 216 936) bonus shares on becoming fully paid. As a consequence of the BHP Steel demerger, an instalment call of A$0.69 per share was made on partly paid shares which was then immediately replaced by the application of the capital reduction.

(c) Each of BHP Billiton Limited and BHP Billiton Plc issued one Special Voting Share to facilitate joint voting by shareholders of BHP Billiton Limited and BHP Billiton Plc on Joint Electoral Actions.

(d) The number of shares issued on exercise of options after 7 July 2001 includes bonus shares. Refer note 31.

(e) During the period 1 July 2005 to 8 September 2005, no Executive Share Scheme

partly paid shares were paid up in full, 1 373 575 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan Options, no fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Performance Share Plan Performance Rights and no fully paid ordinary shares were issued on the exercise of Group Incentive Scheme awards.

(f) Under UK Companies Act 1985, BHP Billiton Plc has share capital with a par value of US$0.50. Total capital subscribed by shareholders less capital returned to shareholders is included as contributed equity and includes US$518 million (2004: US$518 million) of premium on the issue of

shares.

(g) During the year ended 30 June 2004, 3 890 000 ordinary shares (US$20 million) of BHP Billiton Plc, which were held as part of the BHP Billiton Plc share repurchase scheme, were transferred to a Group ESOP trust. Refer note 32.

(h) Preference shares have the right to repayment of the amount paid up on the nominal value and any unpaid dividends in priority to the holders of any other class of shares in BHP Billiton Plc on a return of capital or winding up. The holders of preference shares have limited voting rights if payment of the preference dividends are six months or more in arrears or a resolution is passed changing the rights of the preference shareholders. Since the merger these shares have been held by

JPMorgan plc.

(i) An Equalisation Share has been authorised to be issued to enable a distribution to be made by BHP Billiton Plc to the BHP Billiton Limited Group should this be required under the terms of the DLC merger. The Directors have the ability to issue the Equalisation Share if required under those terms. The Constitution of BHP Billiton Limited allows the Directors of that Company to issue a similar Equalisation Share.

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**Notes to Financial Statements continued**

**31 Employee share ownership plans**

**Summary of BHP Billiton Group employee share ownership plans**

The following table is a summary of the awards made under the employee share ownership plans of BHP Billiton Limited and BHP Billiton Plc. The subsequent tables and associated footnotes provide more information in relation to that contained in the summary table.

The details of the plans, including comparatives, are presented including, where applicable, a bonus element to which the participant became entitled as a result of the DLC merger on 29 June 2001 and the BHP Steel Limited demerger on 1 July 2002.

| | Number of awards outstanding at **30 June 2005** | Number of awards issued during year ended **30 June 2005** |
|---|---|---|
| **BHP Billiton Limited employee share awards** | | |
| Long Term Incentive Plan (LTIP) (Performance Shares) | **4 764 108** | **4 854 485** |
| Group Incentive Scheme (Deferred Shares) | **5 107 264** | **2 536 991** |
| Group Incentive Scheme (Options) | **2 067 040** | **780 181** |
| Group Incentive Scheme (Performance Shares) | **9 860 582** | **637 676** |
| Employee Share Plan (Shares) | **16 611 045** | |
| Employee Share Plan (Options) | **14 571 693** | |
| Executive Share Scheme (partly paid shares) | **274 918** | |
| Performance Share Plan (LTI) | **1 439 869** | |
| Performance Share Plan (MTI) | **189 800** | |
| Bonus Equity Share Plan (Shares) | **47 662** | |
| **BHP Billiton Plc employee share awards** | | |
| Long Term Incentive Plan (Performance Shares) | **2 317 300** | **2 354 800** |
| Group Incentive Scheme (Deferred Shares) | **2 493 101** | **1 308 709** |
| Group Incentive Scheme (Options) | **1 184 506** | **378 384** |
| Group Incentive Scheme (Performance Shares) | **4 819 393** | **358 128** |
| Restricted Share Scheme | **132 978** | |
| Co-Investment Plan | **522 306** | |

**BHP Billiton Group employee share ownership plans**

The following tables relate to shares and options issued under each of these schemes:

| | Restricted Share Scheme awards [a] | | Co-Investment Plan awards [a] | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Number of awards issued since the DLC merger [b] | **5 657 555** | 5 657 555 | **1 023 425** | 1 023 425 |
| *During the financial year* | | | | |
| Number of awards remaining at the beginning of the financial year | **4 076 894** | 4 608 382 | **539 984** | 837 450 |
| Number of awards issued | | | | |

| | | | | |
|---|---|---|---|---|
| Number of awards exercised | **(3 492 699)** | (167 230) | **(14 707)** | (102 656) |
| Number of awards lapsed | **(451 217)** | (364 258) | **(2 971)** | (194 810) |
| Number of awards remaining at the end of the financial year | **132 978** | 4 076 894 | **522 306** | 539 984 |
| Exercisable | **132 978** | | | |
| Not exercisable | | 4 076 894 | **522 306** | 539 984 |
| Number of employees participating in awards issued | | | | |
| Market value of awards issued (US$ million)[(c)] | | | | |
| Proceeds from awards issued (US$ million) | | | | |
| Number of employees exercising awards | **161** | 10 | **6** | 27 |
| Market value of shares on exercise of awards (US$ million) | **40** | 1 | | |

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**Notes to Financial Statements continued**
31 Employee share ownership plans continued

| | Long Term Incentive Plan Performance Shares (BHP Billiton Limited) [a] | | Long Term Incentive Plan Performance Shares (BHP Billiton Plc) [a] | |
|---|---|---|---|---|
| | **2005** | 2004 | 2005 | 2004 |
| Number of awards issued since commencement of the Plan | **4 854 485** | | **2 354 800** | |
| *During the financial year* | | | | |
| Number of awards remaining at the beginning of the financial year | | | | |
| Number of awards issued | **4 854 485** | | **2 354 800** | |
| Number of awards exercised | | | | |
| Number of awards lapsed | **(90 377)** | | **(37 500)** | |
| Number of awards remaining at the end of the financial year | **4 764 108** | | **2 317 300** | |
| Exercisable | | | | |
| Not exercisable | **4 764 108** | | **2 317 300** | |
| Number of employees participating in awards issued | **293** | | **159** | |
| Market value of awards issued (US$ million) [c] | | | | |
| Proceeds from awards issued (US$ million) | | | | |
| Number of employees exercising awards | | | | |
| Market value of shares on exercise of awards (US$ million) | | | | |

| | Group Incentive Scheme Deferred Shares (BHP Billiton Limited) [a] | | Group Incentive Scheme Deferred Shares (BHP Billiton Plc) [a] | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Number of awards issued since commencement of the Plan | **5 538 713** | 3 001 722 | **2 706 527** | 1 397 818 |
| *During the financial year* | | | | |
| Number of awards remaining at the beginning of the financial year | **2 884 289** | | **1 310 131** | |
| Number of awards issued | **2 536 991** | 3 001 722 | **1 308 709** | 1 397 818 |
| Number of awards exercised | **(256 111)** | (30 884) | **(79 665)** | (11 610) |
| Number of awards lapsed | **(57 905)** | (86 549) | **(46 074)** | (76 077) |

| | | | | |
|---|---|---|---|---|
| Number of awards remaining at the end of the financial year | **5 107 264** | 2 884 289 | **2 493 101** | 1 310 131 |
| Exercisable | | | | |
| Not exercisable | **5 107 264** | 2 884 289 | **2 493 101** | 1 310 131 |
| Number of employees participating in awards issued | **384** | 391 | **180** | 200 |
| Market value of awards issued (US$ million) [(c)] | | | | |
| Proceeds from awards issued (US$ million) | | | | |
| Number of employees exercising awards | **20** | 6 | **14** | 2 |
| Market value of shares on exercise of awards (US$ million) | **3** | | **1** | |

| | Group Incentive Scheme Options (BHP Billiton Limited) [(a)] | | Group Incentive Scheme Options (BHP Billiton Plc) [(a)] | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Number of awards issued since commencement of the Plan | **2 118 995** | 1 338 814 | **1 296 438** | 918 054 |
| *During the financial year* | | | | |
| Number of awards remaining at the beginning of the financial year | **1 309 448** | | **855 044** | |
| Number of awards issued | **780 181** | 1 338 814 | **378 384** | 918 054 |
| Number of awards exercised | | | **(14 353)** | (21 241) |
| Number of awards lapsed | **(22 589)** | (29 366) | **(34 569)** | (41 769) |
| Number of awards remaining at the end of the financial year | **2 067 040** | 1 309 448 | **1 184 506** | 855 044 |
| Exercisable | | | | |
| Not exercisable | **2 067 040** | 1 309 448 | **1 184 506** | 855 044 |
| Number of employees participating in awards issued | **70** | 104 | **75** | 81 |
| Market value of awards issued (US$ million) [(c)] | | | | |
| Proceeds from awards issued (US$ million) | | | | |
| Number of employees exercising awards | | | **2** | |
| Market value of shares on exercise of awards (US$ million) | | | | |

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**Notes to Financial Statements continued**
31 Employee share ownership plans continued

| | Group Incentive Scheme Performance Shares (BHP Billiton Limited) [a] | | Group Incentive Scheme Performance Shares (BHP Billiton Plc) [a] | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Number of awards issued since commencement of the Plan | **11 501 457** | 10 863 781 | **5 974 344** | 5 616 216 |
| *During the financial year* | | | | |
| Number of awards remaining at the beginning of the financial year | **10 136 908** | 7 313 516 | **4 833 951** | 3 634 251 |
| Number of awards issued | **637 676** | 3 353 538 | **358 128** | 1 649 448 |
| Number of awards exercised | **(668 853)** | (157 429) | **(281 123)** | (84 041) |
| Number of awards lapsed | **(245 149)** | (372 717) | **(91 563)** | (365 707) |
| Number of awards remaining at the end of the financial year | **9 860 582** | 10 136 908 | **4 819 393** | 4 833 951 |
| Exercisable | | | | |
| Not exercisable | **9 860 582** | 10 136 908 | **4 819 393** | 4 833 951 |
| Number of employees participating in awards issued | **105** | 409 | **195** | 218 |
| Market value of awards issued (US$ million) [c] | | | | |
| Proceeds from awards issued (US$ million) | | | | |
| Number of employees exercising awards | **19** | 12 | **15** | 6 |
| Market value of shares on exercise of awards (US$ million) | **7** | 1 | **2** | 1 |

| | Employee Share Plan Options [a] | | Weighted Average Exercise Price (A$) | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Number of awards issued since commencement of the Plan | **178 032 575** | 178 032 575 | | |
| *During the financial year* | | | | |
| Number of awards remaining at the beginning of the financial year | **24 309 476** | 37 571 802 | **7.94** | 7.81 |
| Number of awards issued | | | | |
| Number of awards exercised | **(8 550 570)** | (10 764 732) | **8.08** | 7.48 |
| Number of awards lapsed | **(1 187 213)** | (2 497 594) | **8.28** | 8.04 |
| Number of awards remaining at the end of the financial year | **14 571 693** | 24 309 476 | **7.83** | 7.94 |

| | | | | |
|---|---|---|---|---|
| Exercisable | **14 571 693** | 13 679 357 | **7.83** | 7.66 |
| Not exercisable | | 10 630 119 | | 8.30 |
| Number of employees participating in awards issued | | | | |
| Market value of awards issued (US$ million) [(c)] | | | | |
| Proceeds from awards issued (US$ million) | | | | |
| Number of employees exercising awards | **1 225** | 1 683 | | |
| Market value of shares on exercise of awards (US$ million) | **100** | 88 | | |
| Proceeds from exercise of options (US$ million) | **53** | 57 | | |

| | Employee Share Plan Shares [(a)] | | Executive Share Scheme Partly Paid Shares [(a)] | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Number of awards issued since commencement of the Plan | **373 745 102** | 373 745 102 | **50 529 280** | 50 529 280 |
| *During the financial year* | | | | |
| Number of awards remaining at the beginning of the financial year | **18 660 656** | 20 508 095 | **621 936** | 1 656 984 |
| Number of awards issued | | | | |
| Number of awards exercised | **(2 049 611)** | (1 847 439) | **(347 018)** | (1 035 048) |
| Number of awards lapsed | | | | |
| Number of awards remaining at the end of the financial year | **16 611 045** | 18 660 656 | **274 918** | 621 936 |
| Exercisable | **16 611 045** | 18 660 656 | **274 918** | 621 936 |
| Not exercisable | | | | |
| Number of employees participating in awards issued | | | | |
| Market value of awards issued (US$ million) [(c)] | | | | |
| Proceeds from awards issued (US$ million) | | | | |
| Number of employees exercising awards | | | **2** | 4 |
| Market value of shares on exercise of awards (US$ million) | | | **4** | 9 |
| Employee Share Plan loans outstanding (US$ million) | **60** | 63 | | |
| Proceeds from conversion of partly paid shares (US$ million) | | | **3** | 9 |

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**Notes to Financial Statements continued**
31 Employee share ownership plans continued

| | Performance Share Plan Performance Rights [a] | | Bonus Equity Share Plan Shares [a] | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| Number of awards issued since commencement of the Plan | **12 679 547** | 12 679 547 | **1 016 845** | 1 016 845 |
| *During the financial year* | | | | |
| Number of awards remaining at the beginning of the financial year | **5 244 027** | 8 163 616 | **818 746** | 856 345 |
| Number of awards issued | | | | |
| Number of awards exercised | **(3 218 307)** | (2 712 371) | **(748 345)** | (34 573) |
| Number of awards lapsed | **(396 051)** | (207 218) | **(22 739)** | (3 026) |
| Number of awards remaining at the end of the financial year | **1 629 669** | 5 244 027 | **47 662** | 818 746 |
| Exercisable | **1 629 669** | 716 120 | **47 662** | |
| Not exercisable | | 4 527 907 | | 818 746 |
| Number of employees participating in awards issued | | | | |
| Market value of awards issued (US$ million) [c] | | | | |
| Proceeds from awards issued (US$ million) | | | | |
| Number of employees exercising awards | **72** | 172 | **83** | 9 |
| Market value of shares on exercise of awards (US$ million) | **36** | 21 | **11** | |

| | Number | | | | Awards outstanding at: | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Date of | | |
| Month of issue | Number issued | of recipients | Number exercised | Number lapsed | Balance date | Directors Report | Exercise price | Exercise period/ release date |
| **Restricted Share Scheme** [d] | | | | | | | | |
| November 2001(Share awards) | 292 577 | 1 | 98 574 | 194 003 | | | | Nov 2004 |
| October 2001 (Share awards) | 4 446 532 | 147 | 3 436 002 | 1 010 530 | | | | Nov 2004 |
| October 2001 (Options) | 918 446 | 32 | 608 525 | 176 943 | 132 978 | 132 978 | | Oct 2004 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Sept 2008 |
| | | | | | **132 978** | **132 978** | | |
| **Co-Investment Plan**[(d)] | | | | | | | | |
| | | | | | | | | Nov 2000 |
| November 2001 | 100 945 | 1 | 23 131 | 77 814 | | | | Oct 2011 |
| | | | | | | | | Oct 2003 |
| October 2001 | 922 480 | 83 | 146 172 | 254 002 | 522 306 | 516 517 | | Sept 2011 |
| | | | | | **522 306** | **516 517** | | |
| **Long Term Incentive Plan Performance Shares (BHP Billiton Plc)** | | | | | | | | |
| | | | | | | | | Aug 2009 |
| December 2004 | 2 354 800 | 159 | | 37 500 | 2 317 300 | 2 317 300 | | Aug 2014 |
| | | | | | **2 317 300** | **2 317 300** | | |
| **Group Incentive Scheme (BHP Billiton Plc)** | | | | | | | | |
| ***Deferred Shares*** | | | | | | | | |
| | | | | | | | | Aug 2006 |
| December 2004 | 1 308 709 | 200 | 12 958 | 27 493 | 1 268 258 | 1 268 258 | | Aug 2009 |
| | | | | | | | | Aug 2005 |
| November 2003 | 1 397 818 | 194 | 78 317 | 94 658 | 1 224 843 | 523 493 | | Aug 2008 |
| ***Options*** | | | | | | | | |
| | | | | | | | | Aug 2006 |
| December 2004 | 378 384 | 45 | | 19 981 | 358 403 | 358 403 | £ 6.11 | Aug 2009 |
| | | | | | | | | Aug 2005 |
| November 2003 | 918 054 | 78 | 35 594 | 56 357 | 826 103 | 556 346 | £ 4.43 | Aug 2008 |
| ***Performance Shares*** | | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | Aug 2007 |
| December 2004 | 358 128 | 42 | 11 036 | 23 250 | 323 842 | 323 842 | Aug 2010 |
| | | | | | | | Aug 2006 |
| November 2003 | 1 649 448 | 210 | 98 747 | 109 992 | 1 440 709 | 1 440 709 | Aug 2009 |
| | | | | | | | Aug 2005 |
| November 2002 | 3 966 768 | 209 | 255 381 | 656 545 | 3 054 842 | 1 435 045 | Aug 2008 |
| | | | | | **8 497 000** | **5 906 096** | |

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**Notes to Financial Statements continued**
31 Employee share ownership plans continued

| Month of issue | Number issued | Number of recipients | Number exercised | Number lapsed | Awards outstanding at: Balance date | Date of Directors Report | Exercise price | Exercise period/ release date |
|---|---|---|---|---|---|---|---|---|
| **Employee Share Plan Options** | | | | | | | | |
| September 2002 | 67 500 | 1 | 60 750 | 6 750 | | | A$8.95 | Oct 2004 Sept 2011 |
| November 2001 | 6 870 500 | 113 | 2 988 311 | 1 374 339 | 2 507 850 | 2 123 210 | A$8.30 | Oct 2004 Sept 2011 |
| November 2001 | 7 207 000 | 153 | 3 751 675 | 1 280 988 | 2 174 337 | 1 930 777 | A$8.29 | Oct 2004 Sept 2011 |
| December 2000 | 3 444 587 | 67 | 1 666 726 | 485 625 | 1 292 236 | 1 067 140 | A$8.72 | July 2003 Dec 2010 |
| December 2000 | 2 316 010 | 59 | 1 213 701 | 299 605 | 802 704 | 724 334 | A$8.71 | July 2003 Dec 2010 |
| November 2000 | 1 719 196 | 44 | 677 150 | 539 452 | 502 594 | 502 594 | A$8.28 | July 2003 Oct 2010 |
| November 2000 | 7 764 776 | 197 | 5 575 927 | 871 935 | 1 316 914 | 1 193 008 | A$8.27 | July 2003 Oct 2010 |
| April 2000 | 61 953 | 3 | 20 651 | | 41 302 | 20 651 | A$7.60 | April 2003 April 2010 |
| April 2000 | 937 555 | 5 | 51 628 | 138 361 | 747 566 | 747 566 | A$7.60 | April 2003 April 2010 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| December 1999 | 413 020 | 1 | 413 020 | | | | A$8.61 | April 2002 April 2009 |
| December 1999 | 309 765 | 1 | 309 765 | | | | A$7.50 | April 2002 April 2009 |
| October 1999 | 105 320 | 3 | 14 456 | 30 976 | 59 888 | 8 260 | A$7.57 | April 2002 April 2009 |
| July 1999 | 206 510 | 1 | 206 510 | | | | A$7.60 | April 2002 April 2009 |
| April 1999 | 44 474 820 | 45 595 | 19 294 392 | 21 348 634 | 3 831 794 | 3 607 730 | A$6.92 | April 2002 April 2009 |
| April 1999 | 16 901 398 | 944 | 9 270 853 | 6 336 037 | 1 294 508 | 1 249 076 | A$6.92 | April 2002 April 2009 |
| | | | | | **14 571 693** | **13 174 346** | | |
| **Performance Share Plan Performance Rights (d)** | | | | | | | | |
| November 2001 (LTI) | 5 114 298 | 110 | 3 161 027 | 813 381 | 1 139 890 | 1 054 494 | | Oct 2004 Sept 2011 |
| October 2001 (LTI) | 173 879 | 2 | 118 670 | 17 389 | 37 820 | | | Oct 2004 Sept 2011 |
| October 2001(MTI) | 238 940 | 6 | 22 596 | 26 544 | 189 800 | 189 800 | | Oct 2003 Mar 2006 |
| December 2000 (LTI) | 415 510 | 11 | 348 674 | | 66 836 | 66 836 | | July 2003 Dec 2010 |
| November 2000 (LTI) | 4 441 620 | 104 | 4 040 019 | 206 278 | 195 323 | 122 268 | | July 2003 Oct 2010 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | **1 629 669** | **1 433 398** | | |
| **Bonus Equity Share Plan Shares** | | | | | | | | |
| November 2001 | 1 016 845 | 117 | 918 863 | 50 320 | 47 662 | 47 662 | | Nov 2004 Oct 2006 |
| | | | | | **47 662** | **47 662** | | |
| **Long Term Incentive Plan Performance Shares (BHP Billiton Limited)** | | | | | | | | |
| December 2004 | 4 854 485 | 293 | | 90 377 | 4 764 108 | 4 744 108 | | Aug 2009 Aug 2014 |
| | | | | | **4 764 108** | **4 744 108** | | |
| **Group Incentive Scheme (BHP Billiton Limited)** | | | | | | | | |
| ***Deferred Shares*** | | | | | | | | |
| December 2004 | 2 536 991 | 384 | 52 007 | 40 279 | 2 444 705 | 2 425 138 | | Aug 2006 Aug 2009 |
| November 2003 | 3 001 722 | 391 | 234 988 | 104 175 | 2 662 559 | 1 629 032 | | Aug 2005 Aug 2008 |
| ***Options*** | | | | | | | | |
| December 2004 | 780 181 | 70 | | | 780 181 | 776 322 | A$15.39 | Aug 2006 Aug 2009 |
| November 2003 | 1 338 814 | 104 | | 51 955 | 1 286 859 | 1 227 846 | A$11.11 | Aug 2005 Aug 2008 |
| ***Performance Shares*** | | | | | | | | |
| December 2004 | 637 676 | 105 | 28 199 | 18 895 | 590 582 | 571 812 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| November 2003 | 3 353 538 | 409 | 216 416 | 171 167 | 2 965 955 | 2 953 122 | Aug 2007<br>Aug 2010<br>Aug 2006<br>Aug 2009<br>Aug 2005<br>Aug 2008 |
| November 2002 | 7 510 243 | 425 | 581 667 | 624 531 | 6 304 045 | 3 764 581 | |
| | | | | | **17 034 886** | **13 347 853** | |

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**Notes to Financial Statements continued**

31 Employee share ownership plans continued

(a) The terms and conditions for all BHP Billiton Group employee ownership plans are detailed in section 8.1 of the Remuneration Report in the BHP Billiton Limited Annual Report 2005 ( Remuneration Report ), except as follows:

The Bonus Equity Share Plan provided eligible employees with the opportunity to take a portion of their incentive plan award in ordinary shares in BHP Billiton Limited. Eligibility was determined by the Board. Participants who elected to take their incentive plan award in shares under the Plan also received an uplift of 25 per cent so that for each A$1 of award taken as shares, A$1.25 worth of shares were provided. The shares were purchased on-market. The shares awarded under this Plan are held in trust and may not be transferred or disposed of for at least a three-year period. The shares are allocated on the following terms:

(i) while the shares are held in trust, the participants are entitled to receive dividends on those shares, entitled to participate in bonus issues, may participate in rights issues, etc. and may direct the trustee on how to vote those shares at a general meeting of BHP Billiton Limited; and

(ii) if employment ceases while the shares are in trust, the shares awarded as part of the 25 per cent uplift (or a portion of that uplift) may or may not be forfeited (depending upon the circumstances of the employment relationship ending).

The Employee Share Plan option issues for 2002 and 2001 were made on substantially the same terms and conditions as the 2000 issue, the conditions of which are detailed in Section 8.1 of the Remuneration Report.

(b) All awards issued under the Restricted Share Plan (RSS) and Co-Investment Plan (CIP) prior to June 2001 vested as a consequence of the DLC merger. Data as presented reflects awards granted after completion of the DLC merger only.

(c) Options, Performance Rights and awards issued under the Long Term Incentive Plan, Group Incentive Scheme, Bonus Equity Share Plan, RSS and CIP are not transferable or listed and as such do not have a market value.

(d) Shares issued on exercise of Performance Rights and awards under the RSS and CIP include shares purchased on-market.

(e) In respect of employee share awards, the BHP Billiton Group utilises the following trusts:

The Billiton Employee Share Ownership Trust is a discretionary trust for the benefit of all employees of BHP Billiton Plc and its subsidiaries. The trustee is an independent company, resident in Jersey. The trust uses funds provided by BHP Billiton Plc and/or its subsidiaries as appropriate to acquire ordinary shares to enable awards to be made or satisfied under the Long Term Incentive Plan, Group Incentive Scheme, RSS and CIP. The ordinary shares may be acquired by purchase in the market or by subscription at not less than nominal value.

The BHP Performance Share Plan Trust (PSP Trust) is a discretionary trust established to distribute shares under selected BHP Billiton Limited employee share plan schemes. The trustee of the trust is BHP Billiton Employee Plan Pty Ltd, an Australian company. The trust uses funds provided by BHP Billiton Limited and/or its subsidiaries to acquire shares on-market to satisfy exercises made under the Group Incentive Scheme, Long Term Incentive Plan and Performance Share Plan.

The BHP Bonus Equity Plan Trust (BEP Trust) is a discretionary trust established for the purpose of holding shares in BHP Billiton Limited to satisfy exercises made under the BHP Billiton Limited Bonus Equity Share Plan. The trustee is BHP Billiton Employee Plan Pty Ltd.

**32 Reserves**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Employee share awards reserve | **221** | 137 |
| Exchange fluctuation account | **417** | 410 |
| **Total reserves** | **638** | 547 |
| Employee share awards reserve | | |
| Opening balance | **137** | 78 |
| Accrued employee entitlement for unvested awards | **109** | 96 |
| Vesting of employee share awards | **(25)** | (17) |
| Transfer of shares from BHP Billiton Plc share repurchase scheme (refer note 30) | | (20) |
| **Closing balance** [(a)] | **221** | 137 |
| Exchange fluctuation account | | |
| Opening balance | **410** | 362 |
| Exchange fluctuations on foreign currency net assets net of tax | **7** | 48 |
| **Closing balance** | **417** | 410 |

(a) At 30 June 2005, 1 477 784 shares (2004: 4 948 281) were held in trust with a market value at that date of US$19 million (2004: US$43 million).

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**Notes to Financial Statements continued**
**33 Retained profits**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Retained profits opening balance | **10 928** | 8 558 |
| Dividends provided for or paid [a] | **(1 409)** | (1 025) |
| Vesting of employee share awards | **(25)** | (8) |
| BHP Billiton Limited share buy-back [b] | **(1 481)** | |
| Net profit | **6 009** | 3 403 |
| **Retained profits closing balance** | **14 022** | 10 928 |

(a) Refer note 11.

(b) On 23 November 2004, the BHP Billiton Group completed an off-market share buy-back of 180 716 428 BHP Billiton Limited shares. In accordance with the structure of the buy-back, US$1 481 million was allocated to retained earnings. The final price for the buy-back was A$12.57 per share, representing a discount of 12 per cent to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including the closing date of the buy-back.

**34 Outside equity interests**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Contributed equity | **65** | 65 |
| Reserves | **1** | 1 |
| Retained profits | **275** | 281 |
| **Total outside equity interests** | **341** | 347 |

**35 Total equity**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Total equity opening balance | **15 425** | 12 839 |
| Total changes in equity recognised in the Statement of Financial Performance | **6 016** | 3 451 |
| Transactions with owners as owners | | |
| Contributed equity | **56** | 66 |
| Dividends [(a)] | **(1 409)** | (1 025) |
| Accrued employee entitlement to share awards | **109** | 96 |
| Cash settlement of share awards | **(3)** | |
| Purchases of shares made by ESOP trusts | **(47)** | (25) |
| BHP Billiton Limited share buy-back [(b)] | **(1 777)** | |
| Total changes in outside equity interests | **(6)** | 23 |
| **Total equity closing balance** | **18 364** | 15 425 |

(a) Refer note 11.

(b) On 23 November 2004, the BHP Billiton Group completed an off-market share buy-back of 180 716 428 BHP Billiton Limited shares. As a result of the buy-back, total equity decreased by US$1 777 million (including US$5 million of transaction costs). In accordance with the structure of

the buy-back, US$296 million was allocated to the contributed equity of BHP Billiton Limited and US$1 481 million was allocated to retained earnings. The final price for the buy-back was A$12.57 per share, representing a discount of 12 per cent to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including the closing date of the buy-back.

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**Notes to Financial Statements continued**

**36 Notes to the Statement of Cash Flows**

For the purpose of the Statement of Cash Flows, cash is defined as cash and cash equivalents. Cash equivalents include highly liquid investments which are readily convertible to cash, bank overdrafts and interest bearing liabilities at call.

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Reconciliation of cash** | | |
| Cash and cash equivalents comprise: | | |
| Cash assets | | |
| Cash | **916** | 674 |
| Short-term deposits | **502** | 1 144 |
| Total cash assets | **1 418** | 1 818 |
| Bank overdrafts [(a)] | **(15)** | (133) |
| Total cash and cash equivalents | **1 403** | 1 685 |
| **Reconciliation of net cash provided by operating activities to net profit** | | |
| Net profit | **6 241** | 3 499 |
| Depreciation and amortisation | **1 994** | 1 793 |
| Share of net profit of joint ventures less dividends | **(309)** | (20) |
| Capitalised borrowing costs | **(85)** | (97) |
| Exploration, evaluation and development expense (excluding diminution) | **353** | 284 |
| Net gain on sale of non-current assets | **(112)** | (101) |
| Discounting on provisions and other liabilities | **175** | 111 |
| Inventory fair value adjustment | **54** | |
| Sale of equity interest in North West Shelf project | **(56)** | |
| Sale of Laminaria and Corallina | **(134)** | |
| Disposal of Chrome operations | **(142)** | |
| Restructuring provisions | **79** | |
| Provision for termination of operations | **246** | |
| Closure plans | **121** | 534 |
| Dalmine settlement | | (66) |
| Diminution of property, plant and equipment, investments and intangibles | **16** | 116 |
| Employee share awards | **116** | 96 |
| Exchange differences on Group debt | **15** | 104 |
| Change in assets and liabilities net of effects from acquisitions and disposals of controlled entities and exchange fluctuations | | |
| Increase in inventories | **(393)** | (356) |
| Decrease/(increase) in deferred charges | **11** | (80) |
| Increase in trade receivables | **(521)** | (560) |
| (Increase)/decrease in sundry receivables | **(146)** | 35 |
| Increase/(decrease) in income taxes payable | **545** | (19) |
| Decrease in deferred taxes | **(9)** | (439) |
| Increase in trade creditors | **585** | 259 |
| Increase/(decrease) in sundry creditors | **116** | (3) |

| | | |
|---|---|---|
| Increase/(decrease) in interest payable | **5** | (2) |
| Increase in other provisions and liabilities | **149** | 84 |
| Other movements | **12** | 3 |
| **Net cash provided by operating activities** | **8 926** | 5 175 |

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**Notes to Financial Statements continued**

36 Notes to the Statement of Cash Flows continued

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Carrying amount of controlled entities and operations disposed** | | |
| Value of assets and liabilities of entities and operations disposed of: | | |
| Cash and cash equivalents | **90** | 5 |
| Receivables (current) | **108** | 14 |
| Inventories (current) | **78** | 2 |
| Other (current) | | 1 |
| Receivables (non-current) | **88** | 3 |
| Investments (non-current) | **2** | |
| Property, plant and equipment | **337** | 77 |
| Intangible assets | **49** | |
| Other (non-current) | | 6 |
| Payables and interest bearing liabilities (current) | **(154)** | (4) |
| Provisions (current) | **(22)** | (2) |
| Payables and interest bearing liabilities (non-current) | **(138)** | |
| Provisions (non-current) | **(151)** | (55) |
| Net identifiable assets | **287** | 47 |
| Net consideration received | | |
| Cash | **563** | 53 |
| Profit on disposal | **276** | 6 |
| **Non-cash financing and investing activities** | | |
| Other: | | |
| Employee Share Plan loan instalments [(b)] | **2** | 1 |

Refer note 3 for further details regarding the acquisition of WMC Resources Ltd . There were no material acquisitions in 2004.

(a) Refer note 25.

(b) The Employee Share Plan loan instalments represent the repayment of loans outstanding with the BHP Billiton Group, by the application of dividends.

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**Notes to Financial Statements continued**
**37 Standby arrangements, unused credit facilities**

| | Facility available **2005** **US$M** | Used **2005** **US$M** | Unused **2005** **US$M** | Facility available 2004 US$M | Used 2004 US$M | Unused 2004 US$M |
|---|---|---|---|---|---|---|
| **BHP Billiton Group** | | | | | | |
| *Bank standby and support arrangements* | | | | | | |
| Acquisition finance facility | **5 500** | **3 000** | **2 500** | | | |
| Revolving credit facilities | **3 000** | | **3 000** | 2 500 | | 2 500 |
| Overdraft facilities | **62** | **15** | **47** | 184 | 133 | 51 |
| Total financing facilities | **8 562** | **3 015** | **5 547** | 2 684 | 133 | 2 551 |

Details of major standby and support arrangements are as follows:

**Acquisition finance facility**

In March 2005, the BHP Billiton Group established a term facility of US$5.5 billion comprising of a US$3.3 billion 18-month tranche and a US$2.5 billion five-year tranche. The purpose of this facility was for the acquisition of WMC Resources Ltd.

**Revolving credit facility**

In September 2004, the Group s US$2.5 billion multi-currency revolving credit facility was cancelled and replaced with a new US$2.0 billion multi-currency revolving credit facility maturing in September 2009. In March 2005, this facility (which can be used for general corporate purposes) was increased to US$3 billion.

The BHP Billiton Group has access to short-term finance under an A$2 billion Australian commercial paper programme and a US$3 billion US commercial paper programme. There was US$1.6 billion commercial paper outstanding under the US commercial paper programme at 30 June 2005 (2004: US$nil). The Australian commercial paper programme was undrawn at 30 June 2005 (2004: US$nil). The commercial paper programmes are supported by the US$3 billion multi-currency revolving credit facility.

**Other credit facilities and overdraft facilities**

Other credit facilities and bank overdraft facilities are arranged with a number of banks with the general terms and conditions agreed on a periodic basis.

As at 30 June 2005, total overdraft facilities utilised by various entities within the Group were US$15 million (2004: US$133 million).

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**Notes to Financial Statements continued**

**38 Financial instruments**

**BHP Billiton Group financial risk strategy**

The BHP Billiton Group manages its exposure to key financial risks, including interest rates, currency movements and commodity prices, in accordance with the Group s Portfolio Risk Management strategy. The objective of the strategy is to support the delivery of the BHP Billiton Group s financial targets while protecting its future financial security and flexibility.

The strategy entails managing risk at the portfolio level through the adoption of a self-insurance model, by taking advantage of the natural diversification provided through the scale, diversity and flexibility of the portfolio as the principal means for managing risk.

There are two components to the Portfolio Risk Management strategy:

**Risk mitigation** where risk is managed at the portfolio level within an approved Cash Flow at Risk ( CFaR ) framework to support the achievement of the BHP Billiton Group s broader strategic objectives. The CFaR framework is a means to quantify the variability of the BHP Billiton Group s cash flows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cash flows over a one-year horizon under normal market conditions at a confidence level of 95 per cent).

Where CFaR is within the Board-approved limits, hedging activities of operational currency exposures are not undertaken. However, the Group generally hedges the non-US dollar currency exposure of major capital expenditure projects and non-US dollar marketing contracts. There could also be circumstances, for example, such as following a major acquisition, when it becomes appropriate to mitigate risk in order to support the BHP Billiton Group s strategic objectives. In such circumstances, the BHP Billiton Group may execute hedge transactions or utilise other techniques to return risk to within approved parameters.

**Strategic financial transactions** where opportunistic transactions are entered into to capture value from perceived market over/under valuations. These transactions occur on an infrequent basis and are treated separately to the risk mitigation transactions, with all gains and losses included in the Statement of Financial Performance at the end of each reporting period. These transactions are strictly controlled under a separate stop-loss and Value at Risk limit framework. There have been no strategic financial transactions undertaken to date.

Primary responsibility for identification and control of financial risks rests with the Financial Risk Management Committee (FRMC) under authority delegated by the Office of the Chief Executive.

The FRMC receives reports on, amongst other matters: financing requirements both for existing operations and new capital projects; assessments of risks and rewards implicit in requests for financing; and market forecasts for interest rates, currency movements and commodity prices, including analysis of sensitivities. In addition, the FRMC receives reports on the various financial risk exposures of the BHP Billiton Group. On the basis of this information, the FRMC determines the degree to which it is appropriate to use financial instruments, commodity contracts, other hedging instruments or other techniques to mitigate the identified risks. The main risks for which such instruments may be appropriate are interest rate risk, liquidity risk, foreign currency risk and commodity price risk, each of which is described below. In addition, where risks could be mitigated by insurance the FRMC decides whether such insurance is appropriate and cost-effective. FRMC decisions can be implemented directly by Group management or can be delegated from time to time to be implemented by the management of the Customer Sector Groups.

**BHP Billiton Group risk exposures and responses**

The main financial risks relating to interest rates and foreign currency are summarised in the tables below. The individual risks along with the responses of the BHP Billiton Group are also set out below.

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**Notes to Financial Statements continued**

38 Financial instruments continued

**Interest rate risk**

The BHP Billiton Group is exposed to interest rate risk on its outstanding borrowings and investments. Interest rate risk is managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

When required under this strategy, the BHP Billiton Group uses interest rate swaps, including cross currency interest rate swaps, to convert a fixed rate exposure to a floating rate exposure or vice versa. All interest swaps have been designed as hedging instruments.

The interest rate risk tables present interest rate risk and effective weighted average interest rates for classes of financial assets and liabilities.

The combined interest rate and foreign currency risk tables also present interest rate risk as well as weighted average fixed interest rates and weighted average maturities. These tables present the information for each principal currency in which financial assets and liabilities are denominated.

***Interest rate risk***

| | | Weighted average | Floating | Fixed interest maturing in: | | | | Non- | |
|---|---|---|---|---|---|---|---|---|---|
| **2005** | Note | interest rate (a) | interest rate | 1 Year or less | 1 to 2 years | 2 to 5 years | More than 5 years (c) | interest bearing | Total |
| **Financial assets** | | | | | | | | | |
| Cash | 36 | **2.3%** | **1 210** | **208** | | | | | **1 418** |
| Receivables | | **8.3%** | **84** | **8** | | **2** | **5** | **3 829** | **3 928** |
| Other financial assets | 14,19 | **7.5%** | **210** | **2** | | | | **98** | **310** |
| | | | **1 504** | **218** | | **2** | **5** | **3 927** | **5 656** |
| **Financial liabilities** | | | | | | | | | |
| Payables | | | | | | | | **4 023** | **4 023** |
| Bank overdrafts (unsecured) | 25 | **3.5%** | **15** | | | | | | **15** |
| Bank loans | 25,28 | **3.6%** | **3 173** | | | | | | **3 173** |
| Commercial paper | 28 | **3.2%** | **1 602** | | | | | | **1 602** |
| Notes and debentures | 25,28 | **5.1%** | **2 264** | **316** | **1** | | **1 809** | | **4 390** |
| Non-recourse finance | 25,28 | **4.0%** | **649** | **23** | **23** | **12** | | | **707** |
| Secured debt (limited recourse) | 25,28 | **6.1%** | **175** | **28** | **28** | **115** | **89** | | **435** |
| | 28 | **5.4%** | **150** | **300** | | | | | **450** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Redeemable preference shares | | | | | | | | | |
| Lease liabilities | 25,28 | **7.9%** | **33** | | | | **23** | | **56** |
| Other interest bearing liabilities | 25,28 | **6.2%** | **134** | **7** | **9** | **27** | **63** | **58** | **298** |
| Employee benefits [(b)] | 26,29 | **5.1%** | **80** | | | | | **760** | **840** |
| | | | **8 275** | **674** | **61** | **154** | **1 984** | **4 841** | **1 5989** |
| **Interest rate swaps** [(c)] | | | **(2 263)** | **281** | | **1 132** | **850** | | |

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**Notes to Financial Statements continued**
38 Financial instruments continued

| 2004 | Note | Weighted average interest rate[a] | Floating interest rate | Fixed interest maturing in: 1 Year or less | 1 to 2 years | 2 to 5 years | More than 5 years [c] | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash | 36 | 1.1% | 1 747 | 71 | | | | | 1 818 |
| Receivables | | 8.6% | 225 | | 17 | 15 | 8 | 3 128 | 3 393 |
| Other financial assets | 14,19 | 9.5% | 155 | 4 | | | 6 | 125 | 290 |
| | | | 2 127 | 75 | 17 | 15 | 14 | 3 253 | 5 501 |
| **Financial liabilities** | | | | | | | | | |
| Payables | | | | | | | | 2 550 | 2 550 |
| Bank overdrafts (unsecured) | 25 | 1.9% | 133 | | | | | | 133 |
| Bank loans | 25,28 | 7.4% | 238 | 64 | | 5 | | | 307 |
| Commercial paper | 28 | | | | | | | | |
| Notes and debentures | 25,28 | 3.8% | 2 394 | 176 | 316 | | 1 073 | | 3 959 |
| Non-recourse finance | 25,28 | 2.5% | 825 | 23 | | 58 | | | 906 |
| Secured debt (limited recourse) | 25,28 | 6.1% | 193 | 28 | 32 | 98 | 135 | | 486 |
| Redeemable preference shares | 28 | 5.2% | 150 | | 300 | | | | 450 |
| Lease liabilities | 25,28 | 11.6% | 34 | 2 | | 10 | 30 | | 76 |
| Other interest bearing liabilities | 25,28 | 6.1% | 268 | 7 | 7 | 23 | 80 | 81 | 466 |
| Employee benefits [b] | 26,29 | 5.9% | 72 | | | | | 550 | 622 |
| | | | 4 307 | 300 | 655 | 194 | 1 318 | 3 181 | 9 955 |
| **Interest rate swaps** [c] | | | (2 26) | | 281 | 1 132 | 850 | | |

(a) Weighted average interest rates take into account the effect of interest rate and cross

currency swaps.

(b) Employee benefits to be settled in cash.

(c) Included in the floating rate debt of US$8 275 million (2004: US$4 307 million) is fixed rate debt of US$2 263 million (2004: US$2 263 million) that has been swapped to floating rates. US$500 million of fixed rate debt presented above as maturing in greater than five years will be exposed to a floating rate of interest from November 2005 until maturity. Refer to the interest rate and cross currency swap table below.

***Combined interest rate and foreign currency risk***

| | Floating rate [(a)] | Fixed rate | Non-interest bearing | Total | Weighted average interest rate (%) | Weighted average period for which rate is fixed | Weighted average period to maturity for non-interest bearing balances |
|---|---|---|---|---|---|---|---|
| **2005** | US$M | US$M | US$M | US$M | Fixed rate | Years | Years |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| US dollars | **753** | **215** | **2 866** | **3 834** | **2.81** | **1** | **1** |
| South African rand | **361** | **2** | **214** | **577** | **8.70** | **1** | **1** |
| Australian dollars | **84** | **5** | **486** | **575** | **2.30** | **1** | **3** |
| Canadian dollars | **41** | | **4** | **45** | | | **3** |
| Other | **265** | **3** | **357** | **625** | **2.30** | **1** | **2** |
| | **1 504** | **225** | **3 927** | **5 656** | **2.85** | **1** | **2** |
| **Financial liabilities** [(b)] | | | | | | | |
| US dollars | **8 112** | **2 780** | **1 449** | **1 2341** | **6.70** | **8** | **1** |
| South African rand | **12** | **81** | **403** | **496** | **13.49** | **12** | **2** |
| Australian dollars | **137** | **3** | **2 368** | **2 508** | **8.00** | **8** | **1** |
| Canadian dollars | | | **119** | **119** | | | **1** |
| Other | **14** | **9** | **502** | **525** | **7.20** | **11** | **1** |
| | **8 275** | **2 873** | **4 841** | **15 989** | **6.89** | **8** | **1** |

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**Notes to Financial Statements continued**
38 Financial instruments continued

| 2004 | Floating rate [a] US$M | Fixed rate US$M | Non-interest bearing US$M | Total US$M | Weighted average interest rate (%) Fixed rate | Weighted average period for which rate is fixed Years | Weighted average period to maturity for non-interest bearing balances Years |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| US dollars | 1 503 | 62 | 2 069 | 3 634 | 4.24 | 2 | 2 |
| South African rand | 185 | 10 | 258 | 453 | 3.22 | 1 | 1 |
| Australian dollars | 115 | 29 | 358 | 502 | 5.36 | 2 | 3 |
| Canadian dollars | 32 | | 10 | 42 | | | 1 |
| Other | 292 | 20 | 558 | 870 | 1.08 | 1 | 2 |
| | 2 127 | 121 | 3 253 | 5 501 | 3.90 | 2 | 2 |
| **Financial liabilities**[b] | | | | | | | |
| US dollars | 3 897 | 2 278 | 1 273 | 7 448 | 7.20 | 8 | 1 |
| South African rand | 84 | 158 | 452 | 694 | 10.56 | 9 | 1 |
| Australian dollars | 285 | 14 | 1 044 | 1 343 | 8.73 | 5 | 2 |
| Canadian dollars | | | 90 | 90 | | | 1 |
| Other | 41 | 17 | 322 | 380 | 6.73 | 9 | 1 |
| | 4 307 | 2 467 | 3 181 | 9 955 | 7.42 | 8 | 1 |

(a) The floating rate financial liabilities bear interest at various rates set with reference to the prevailing LIBOR or equivalent for that time period and country.

(b) Financial liabilities are presented after the effect of cross currency and interest rate swaps.
Details of interest rate swaps and cross currency swaps used to hedge interest rate and foreign currency risks are as follows:

| | Weighted average exchange rate | | Weighted average interest rate payable | | Weighted average interest rate receivable | | Interest rate swap amount [a] | | Cross currency swap amount [a] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2005** | 2004 | **2005** % | 2004 % | **2005** % | 2004 % | **2005** US$M | 2004 US$M | **2005** US$M | 2004 US$M |
| ***Interest rate swaps*** | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **US dollar swaps** | | | | | | | | | | |
| *Pay floating [(b)]/receive fixed* | | | | | | | | | | |
| Later than five years | **n/a** | n/a | **2.68** | 1.80 | **4.80** | 4.80 | **850** | 850 | **n/a** | n/a |
| *Pay floating [(b)]/receive fixed [(c)]* | | | | | | | | | | |
| Later than five years | **n/a** | n/a | **3.96** | | **5.13** | | **500** | | **n/a** | n/a |
| *Pay fixed[)]/receive floating [(b) (c)]* | | | | | | | | | | |
| Not later than one year | **n/a** | n/a | **1.74** | | **3.96** | | **(500)** | | **n/a** | n/a |
| ***Cross currency swaps*** | | | | | | | | | | |
| **Australian dollar to US dollar swaps** | | | | | | | | | | |
| *Pay floating [(b)]/receive floating [(b)]* | | | | | | | | | | |
| Not later than one year | | 0.5217 | | 1.61 | | 5.68 | | | | 130 |
| *Pay floating [(b)]/receive fixed* | | | | | | | | | | |
| Not later than one year | **0.5620** | | **4.96** | | **7.50** | | **281** | | **281** | |
| Later than one year but not later than two years | | 0.5620 | | 2.09 | | 7.50 | | 281 | | 281 |
| Later than two years but not later than five years | **0.5217** | 0.5217 | **3.57** | 1.96 | **6.25** | 6.25 | **391** | 391 | **391** | 391 |
| **Euro to US dollar swaps** | | | | | | | | | | |
| *Pay floating [(b)]/receive fixed* | | | | | | | | | | |
| Later than two years but not later than five years | **0.9881** | 0.9881 | **2.83** | 1.43 | **3.88** | 3.88 | **741** | 741 | **741** | 741 |
| | | | | | | | **2 263** | 2 263 | **1 413** | 1 543 |

(a) Amount represents US$ equivalent of principal payable under the swap contract.

(b) Floating interest rate in future periods will be based on LIBOR for US dollar swaps and BBSW for Australian dollar swaps applicable at the time of the interest rate reset.

(c) The pay fixed/receive floating leg of the swap matures in November 2005. The pay floating/receive fixed leg of the swap matures in May 2013. Therefore US$500 million of fixed rate debt at 30 June 2005 will be exposed to a

floating interest rate from November 2005 until maturity in 2013.

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**Notes to Financial Statements continued**

38 Financial instruments continued

**Currency risk**

The US dollar is the functional currency of most operations within the BHP Billiton Group and so most currency exposure relates to transactions and balances in currencies other than the US dollar. The BHP Billiton Group has potential currency exposures in respect of items denominated in currencies other than the functional currency of an operation comprising:

transactional exposure in respect of non-functional currency expenditure and revenues;

translational exposure in respect of investments in overseas operations; and

translational exposure in respect of non-functional currency monetary items.

The potential currency exposures are discussed below.

***Transactional exposure in respect of non-functional currency expenditure and revenues***

Operating expenditure and capital expenditure is incurred by some operations in currencies other than their functional currency. To a lesser extent, sales revenue is earned in currencies other than the functional currency of operations, and certain exchange control restrictions may require that funds be maintained in currencies other than the functional currency of the operation. These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit. When required under this strategy, foreign exchange hedging contracts are entered into in foreign exchange markets. Operating and capital costs are hedged using forward exchange and currency option contracts.

The Group generally hedges the non-US dollar currency exposure of major capital expenditure projects. Forward contracts taken out under this policy are separately disclosed below as Relating to capital expenditure hedging .

In addition, the Group enters into hedges to manage short-term foreign currency cashflows and non-US dollar exposures in marketing contracts. Forward contracts taken out under this policy are separately disclosed below as Relating to operating hedging .

The following table provides information about the principal currency hedge contracts.

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**Notes to Financial Statements continued**

38 Financial instruments continued

***Forward exchange contracts***

| | Weighted average exchange rate | | Contract amounts | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005 US$M** | 2004 US$M |
| ***Relating to capital expenditure hedging*** | | | | |
| **Forward contracts sell US dollars/buy Australian dollars** | | | | |
| Not later than one year | **0.7251** | 0.7069 | **753** | 361 |
| Later than one year but not later than two years | **0.6993** | 0.6928 | **123** | 334 |
| Later than two years but not later than three years | **0.7215** | 0.6803 | **4** | 68 |
| Later than three years but not later than four years | | 0.6715 | | 1 |
| Total | **0.7214** | 0.6983 | **880** | 764 |
| **Forward contracts sell Australian dollars/buy US dollars** | | | | |
| Not later than one year | **0.7649** | | **77** | |
| Later than one year but not later than two years | **0.7507** | | **14** | |
| Later than two years but not later than three years | **0.7408** | | **4** | |
| Total | **0.7618** | | **95** | |
| **Forward contracts sell US dollars/buy Euros** | | | | |
| Not later than one year | **0.7773** | | **21** | |
| Later than one year but not later than two years | **0.7553** | | **2** | |
| Total | **0.7754** | | **23** | |
| **Forward contracts sell US dollars/buy Canadian dollars** | | | | |
| Not later than one year | **1.2821** | | **30** | |
| Total | **1.2821** | | **30** | |
| **Forward contracts sell US dollars/buy Chilean pesos** | | | | |
| Not later than one year | **586.6** | | **117** | |
| Later than one year but not later than two years | **588.5** | | **15** | |
| Total | **586.8** | | **132** | |
| **Forward contracts sell US dollars/buy Japanese yen** | | | | |
| Not later than one year | **103.57** | | **5** | |
| Total | **103.57** | | **5** | |
| **Forward contracts sell other currencies/buy US dollars** | | | | |
| Not later than one year | **n/a** | | **10** | |

| | | | | |
|---|---|---|---|---|
| Total | **n/a** | | **10** | |
| ***Relating to operating hedging*** | | | | |
| **Forward contracts sell US dollars/buy Australian dollars** | | | | |
| Not later than one year | | 0.7101 | | 7 |
| Total | | 0.7101 | | 7 |
| **Forward contracts sell Australian dollars/buy US dollars** | | | | |
| Not later than one year | | 0.6882 | | 58 |
| Total | | 0.6882 | | 58 |
| **Forward contracts sell Euros/buy US dollars** | | | | |
| Not later than one year | **0.8089** | 0.8313 | **142** | 136 |
| Later than one year but not later than two years | **0.7850** | 0.8383 | **32** | 57 |
| Total | **0.8045** | 0.8334 | **174** | 193 |
| **Forward contracts sell US dollars/buy Euros** | | | | |
| Not later than one year | **0.7644** | 0.9309 | **5** | 3 |
| Later than one year but not later than two years | **0.7509** | 0.9439 | **10** | 2 |
| Later than two years but not later than three years | | 0.9357 | | 22 |
| Total | **0.7553** | 0.9358 | **15** | 27 |
| **Forward contracts sell US dollars/buy UK pounds sterling** | | | | |
| Not later than one year | **0.5492** | | **46** | |
| Total | **0.5492** | | **46** | |
| **Forward contracts sell UK pounds sterling/buy US dollars** | | | | |
| Not later than one year | **0.5427** | 0.5571 | **52** | 161 |
| Later than one year but not later than two years | **0.5538** | 0.5726 | **40** | 17 |
| Total | **0.5475** | 0.5586 | **92** | 178 |
| **Forward contracts sell US dollars/buy South African rand** | | | | |
| Not later than one year | **6.7442** | 7.3677 | **52** | 23 |
| Later than one year but not later than two years | **7.9920** | 7.7686 | **6** | 12 |
| Later than two years but not later than three years | **8.1950** | 8.1950 | | 1 |
| Total | **6.8832** | 7.5137 | **58** | 36 |

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**Notes to Financial Statements continued**
38 Financial instruments continued

| | Weighted average exchange rate | | Contract amounts | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** **US$M** | 2004 US$M |
| **Forward contracts sell South African rand/buy US dollars** | | | | |
| Not later than one year | | 6.9940 | | 45 |
| Total | | 6.9940 | | 45 |
| **Forward contracts sell South African rand/buy Euros** | | | | |
| Not later than one year | **6.6762** | | **1** | |
| Total | **6.6762** | | **1** | |
| ***Relating to WMC acquisition*** | | | | |
| **Forward contracts sell US dollars/buy Australian dollars** | | | | |
| Not later than one year | **0.7737** | | **484** | |
| Total | **0.7737** | | **484** | |

***Translational exposure in respect of investments in overseas operations***
The functional currency of most BHP Billiton Group operations is US dollars. There are certain operations that have Australian dollars and UK pounds sterling as a functional currency. Foreign currency gains or losses arising on translation of the net assets of these operations are shown as a movement in reserves.
Where market conditions make it beneficial, the Group will borrow in currencies which would create translational exposure and will swap the liability into an appropriate currency.
***Translational exposure in respect of non-functional currency monetary items***
Monetary items denominated in currencies other than the functional currency of an operation are periodically restated to US dollar equivalents, and the associated gain or loss is taken to the Statement of Financial Performance, with the exception of foreign exchange gains or losses on foreign currency provisions for restoration and rehabilitation at Continuing Operations, which are capitalised in tangible fixed assets. The foreign currency risk is managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.
The combined interest rate and foreign currency risk table presented under the heading Interest rate risk in this note shows the foreign currency risk in relation to financial assets and liabilities. However, this table includes financial assets and liabilities in US dollars and other currencies that represent the functional currency of the operations. In addition, the financial assets and liabilities primarily relate to contractual rights and obligations, and so exclude significant monetary items such as provisions for deferred taxation and some employee benefits.
The table below shows the foreign currency risk based on all monetary assets and liabilities in currencies other than the functional currency of the BHP Billiton operations. The amounts shown are after taking into account the effect of any forward foreign currency contracts entered into to manage these risks and excluding provisions for restoration and rehabilitation where foreign exchange gains and losses are capitalised.

| | Net foreign currency monetary assets/(liabilities) | | | | | |
|---|---|---|---|---|---|---|
| | US$ | A$ | C$ | SA rand | Other | Total |
| **2005** | US$M | US$M | US$M | US$M | US$M | US$M |

| **Functional currency of Group operation** | | | | | | |
|---|---|---|---|---|---|---|
| US dollars | | **(3 372)** | **(437)** | **(722)** | **(552)** | **(5 083)** |
| Australian dollars | **16** | | | | | **16** |
| Canadian dollars | **24** | | | | | **24** |
| UK pounds sterling | **14** | | | | **(4)** | **10** |
| Other | | | | | | |
| | **54** | **(3 372)** | **(437)** | **(722)** | **(556)** | **(5 033)** |

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**Notes to Financial Statements continued**

38 Financial instruments continued

| | Net foreign currency monetary assets/(liabilities) | | | | | |
|---|---|---|---|---|---|---|
| 2004 | US$ US$M | A$ US$M | C$ US$M | SA rand US$M | Other US$M | Total US$M |
| ***Functional currency of Group operation*** | | | | | | |
| US dollars | | (1 240) | (477) | (932) | (198) | (2 847) |
| Australian dollars | 29 | | | | | 29 |
| Canadian dollars | 43 | | | | | 43 |
| UK pounds sterling | (23) | | | | | (23) |
| Other | | | | | | |
| | 49 | (1 240) | (477) | (932) | (198) | (2 798) |

Substantial portions of the non-functional currency liabilities of US dollar functional currency operations relate to payables, provisions for deferred taxation and employee benefits.

**Liquidity risk**

In September 2004 the Group s US$2.5 billion multi-currency revolving credit facility was cancelled and replaced with a new US$2.0 billion multi-currency revolving credit facility maturing in September 2009. In March 2005, this facility (which can be used for general corporate purposes) was increased to US$3.0 billion. In addition to the above a new US$5.5 billion acquisition finance facility was established in March 2005 in order to assist with the financing of the WMC acquisition. This facility (which could only be used for the acquisition) has a US$3.0 billion 18-month tranche and a US$2.5 billion five-year tranche.

In October 2004, Moody s Investors Service upgraded the BHP Billiton Group s long-term credit rating from A2 to A1 (the short-term credit rating is P-1). As a result of the announcement of the takeover of WMC in March 2005, Moody s changed the Group s outlook to developing from stable. On the successful acquisition of control of WMC in June 2005, Moody s changed the Group s outlook from developing back to stable. Standard & Poor s made no change to the Group s outlook or rating which remained at A+ (the short-term credit rating is A-1). The BHP Billiton Group s strong credit profile, diversified funding sources and committed credit facilities ensure that sufficient liquid funds are maintained to meet its daily cash requirements.

The BHP Billiton Group s policy on counterparty credit exposures ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

The BHP Billiton Group s liquidity risk for derivatives arises from the possibility that a market for derivatives might not exist in some circumstances. To counter this risk the BHP Billiton Group only use derivatives in highly liquid markets. The maturity profile of the Group s financial liabilities is as follows:

| **2005** | Bank loans, debentures and other loans US$M | Obligations under finance leases US$M | Subsidiary preference shares US$M | Other liabilities US$M | Total US$M |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Due for payment In one year or less or on demand | **1 047** | **3** | **450** | **4 390** | **5 890** |
| In more than one year but not more than two years | **3 159** | **7** | | **113** | **3 279** |
| In more than two years but not more than five years | **3 334** | **11** | | | **3 345** |
| In more than five years | **3 080** | **35** | | **360** | **3 475** |
| | **10** | | | | |
| | **620** | **56** | **450** | **4 863** | **15 989** |

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**Notes to Financial Statements continued**

38 Financial instruments continued

| 2004 | Bank loans, debentures and other loans US$M | Obligations under finance leases US$M | Subsidiary preference shares US$M | Other liabilities US$M | Total US$M |
|---|---|---|---|---|---|
| Due for payment | | | | | |
| In one year or less or on demand | 1 321 | 9 | | 2 778 | 4 108 |
| In more than one year but not more than two years | 908 | 2 | 300 | 114 | 1 324 |
| In more than two years but not more than five years | 1 539 | 10 | 150 | | 1 699 |
| In more than five years | 2 489 | 55 | | 280 | 2 824 |
| | 6 257 | 76 | 450 | 3 172 | 9 955 |

Refer to note 37, Standby arrangements, unused credit facilities for details of the BHP Billiton Group s undrawn committed facilities.

**Commodity price risk**

The BHP Billiton Group is exposed to movements in the prices of the products it produces and sources from third parties which are generally sold as commodities on the world market.

Commodity price risk is managed pursuant to the Portfolio Risk Management strategy and within the overall CFaR limit. Strategic price hedges are taken out from time to time.

The following table provides information about the BHP Billiton Group s material cash settled commodity contracts, which have not been recognised in the financial statements.

Contract amounts are used to calculate the volume and average price to be exchanged under the contracts.

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**Notes to Financial Statements continued**
38 Financial instruments continued

| | Volume | | Units | Average price of fixed contract | | Term to | Notional amount of fixed contract [a] | |
|---|---|---|---|---|---|---|---|---|
| | **2005** | 2004 | | **2005 US$** | 2004 US$ | maturity (months) | **2005 US$M** | 2004 US$M |
| **Aluminium** | | | | | | | | |
| Forwards buy fixed/sell floating [b] | **555** | 507 | 000 tonnes | **1 734** | 1 578 | 0 12 | **962** | 800 |
| | **68** | 52 | 000 tonnes | **1 606** | 1 494 | 13 24 | **110** | 78 |
| | **6** | 23 | 000 tonnes | **1 625** | 1 425 | 25 48 | **9** | 33 |
| Forwards sell fixed/buy floating [b] | **561** | 622 | 000 tonnes | **1 750** | 1 597 | 0 12 | **981** | 993 |
| | **46** | 32 | 000 tonnes | **1 614** | 1 449 | 13 24 | **74** | 46 |
| | **4** | 14 | 000 tonnes | **1 631** | 1 428 | 25 48 | **7** | 20 |
| **Copper** | | | | | | | | |
| Forwards buy fixed/sell floating [b] | **230** | 91 | 000 tonnes | **2 803** | 2 560 | 0 12 | **647** | 233 |
| | **36** | 26 | 000 tonnes | **2 568** | 2 249 | 13 24 | **93** | 58 |
| | **3** | 5 | 000 tonnes | **2 236** | 2 070 | 25 48 | **7** | 10 |
| Forwards sell fixed/buy floating [b] | **218** | 96 | 000 tonnes | **2 837** | 2 538 | 0 12 | **618** | 244 |
| | **16** | 19 | 000 tonnes | **2 622** | 2 228 | 13 24 | **41** | 42 |
| | **3** | 5 | 000 tonnes | **2 268** | 2 018 | 25 48 | **7** | 10 |
| **Zinc** | | | | | | | | |
| Forwards buy fixed/sell floating [b] | **40** | 23 | 000 tonnes | **1 237** | 1 086 | 0 12 | **49** | 25 |
| | **8** | 12 | 000 tonnes | **1 229** | 1 110 | 13 24 | **9** | 13 |
| | | 4 | 000 tonnes | | 1 060 | 25 48 | | 4 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Forwards sell fixed/buy floating [b] | **37** | 18 | 000 tonnes | **1 229** | 1 075 | 0 | 12 | **45** | 19 |
| | **6** | 12 | 000 tonnes | **1 135** | 1 066 | 13 | 24 | **6** | 13 |
| | | 4 | 000 tonnes | | 1 083 | 25 | 48 | | 4 |
| **Lead** | | | | | | | | | |
| Forwards buy fixed/sell floating [b] | **45** | 28 | 000 tonnes | **947** | 843 | 0 | 12 | **46** | 24 |
| Forwards sell fixed/buy floating [b] | **26** | 19 | 000 tonnes | **971** | 715 | 0 | 12 | **26** | 14 |
| **Silver** | | | | | | | | | |
| Forwards buy fixed/sell floating [b] | **6 450** | 5 075 | 000 ounces | **7.36** | 5.90 | 0 | 12 | **47** | 30 |
| | **2 000** | | 000 ounces | **7.47** | | 13 | 24 | **15** | |
| Forwards sell fixed/buy floating [b] | **3 450** | 600 | 000 ounces | **7.47** | 5.86 | 0 | 12 | **25** | 4 |
| **Petroleum** | | | | | | | | | |
| Forwards buy fixed/sell floating [b] | | 5 819 | 000 barrels | | 31.19 | 0 | 12 | | 182 |
| | | 797 | 000 barrels | | 29.80 | 13 | 24 | | 24 |
| | | 500 | 000 barrels | | 26.08 | 25 | 48 | | 13 |
| Forwards sell fixed/buy floating [b] | | 5 631 | 000 barrels | | 33.09 | 0 | 12 | | 186 |
| | | 1 222 | 000 barrels | | 30.13 | 13 | 24 | | 37 |
| | | 527 | 000 barrels | | 26.43 | 25 | 48 | | 14 |
| **Energy Coal** | | | | | | | | | |
| Forwards buy fixed/sell floating [b] | **15 790** | 20 070 | 000 tonnes | **60.93** | 49.92 | 0 | 12 | **962** | 1 002 |
| | **2 565** | 4 740 | 000 tonnes | **60.38** | 55.50 | 13 | 24 | **155** | 263 |
| | **300** | 600 | 000 tonnes | **58.67** | 62.19 | 25 | 48 | **18** | 37 |
| | **14 381** | | | **61.04** | 50.24 | 0 | 12 | **878** | 1 043 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Forwards sell fixed/buy floating [b] | | 20 765 | 000 tonnes | | | | | | |
| | **2 535** | 5 385 | 000 tonnes | **59.88** | 53.70 | 13 | 24 | **152** | 289 |
| | **180** | 1 020 | 000 tonnes | **56.93** | 54.67 | 25 | 48 | **10** | 56 |
| **Gas** | | | | | | | | | |
| Forwards (buy) | **89 625** | 272 483 | 000 therms | **0.48** | 0.42 | 0 | 12 | **43** | 114 |
| | **9 200** | 27 500 | 000 therms | **0.31** | 0.33 | 13 | 24 | **3** | 9 |
| Forwards (sell) | **86 300** | 271 136 | 000 therms | **0.49** | 0.42 | 0 | 12 | **42** | 114 |
| | **9 200** | 27 500 | 000 therms | **0.36** | 0.34 | 13 | 24 | **3** | 9 |
| **Electricity** | | | | | | | | | |
| Forwards (buy) | **8 002** | 29 157 | 000 MwH | **47.25** | 37.66 | 0 | 12 | **378** | 1 098 |
| | **2 044** | 6 105 | 000 MwH | **51.53** | 39.71 | 13 | 24 | **105** | 242 |
| | **143** | 450 | 000 MwH | **56.79** | 44.04 | 25 | 48 | **8** | 20 |
| Forwards (sell) | **7 933** | 29 293 | 000 MwH | **47.34** | 37.91 | 0 | 12 | **376** | 1 111 |
| | **2 020** | 6 100 | 000 MwH | **54.36** | 40.45 | 13 | 24 | **110** | 247 |
| | **220** | 472 | 000 MwH | **66.40** | 45.79 | 25 | 48 | **15** | 22 |

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**Notes to Financial Statements continued**

38 Financial instruments continued

| | Volume | | Units | Average price of fixed contract | | Term to maturity | Notional amount of fixed contract [a] | |
|---|---|---|---|---|---|---|---|---|
| | **2005** | 2004 | | **2005 US$** | 2004 US$ | (months) | **2005 US$M** | 2004 US$M |
| **Freight Transport and Logistics** | | | | | | | | |
| ***Time Charter*** | | | | | | | | |
| Forwards buy fixed/sell floating [b] | **6 045** | 2 635 | days | **27 375** | 18 347 | 0 12 | **165** | 48 |
| | **1 837** | 733 | days | **20 970** | 23 462 | 13 24 | **39** | 17 |
| | **184** | 184 | days | **12 500** | 11 250 | 25 48 | **3** | 2 |
| Forwards sell fixed/buy floating [b] | **5 855** | 2 769 | days | **26 059** | 20 627 | 0 12 | **153** | 56 |
| | **1 837** | 733 | days | **24 100** | 26 380 | 13 24 | **44** | 19 |
| | **184** | 184 | days | **14 000** | 9 400 | 25 48 | **3** | 2 |
| ***Voyage Charter*** | | | | | | | | |
| Forwards buy fixed/sell floating [b] | **2 275** | 2 025 | 000 tonnes | **15.30** | 10.95 | 0 12 | **35** | 22 |
| | **1 400** | | 000 tonnes | **13.62** | | 13 24 | **19** | |
| Forwards sell fixed/buy floating [b] | **2 225** | 1 950 | 000 tonnes | **15.83** | 11.83 | 0 12 | **35** | 23 |
| | **3 050** | | 000 tonnes | **12.97** | | 13 24 | **40** | |

(a) The notional amount represents the face value of each transaction and accordingly expresses the volume of these transactions, but is not a measure of exposure.

(b) Floating commodity prices in future periods will be based on the benchmarks applicable at the time of the price reset.

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**Notes to Financial Statements continued**

38 Financial instruments continued

**Credit risk**

Credit risk in relation to business trading activities arises from the possibility that counterparties may not be able to settle obligations to the BHP Billiton Group within the normal terms of trade. To manage this risk the BHP Billiton Group periodically assesses the financial viability of counterparties.

Credit risk for derivatives represents the risk of counterparties defaulting on their contractual derivative obligations and is managed by the application of credit approvals, limits and monitoring procedures.

The extent of the BHP Billiton Group s combined trade and derivative credit risk exposure is represented by the aggregate of amounts receivable, reduced by the effect of netting arrangements with financial institution counterparties.

These risks are categorised under the following headings:

***Counterparties***

The BHP Billiton Group conducts transactions with the following major types of counterparties:

*Receivables counterparties*

Sales to BHP Billiton Group customers are made either on open terms or subject to independent payment guarantees. The BHP Billiton Group has no significant concentration of credit risk with any single customer or group of customers.

*Payment guarantee counterparties*

These counterparties are comprised of prime financial institutions. Under payment guarantee arrangements, the BHP Billiton Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

*Hedge counterparties*

Counterparties to derivatives consist of a large number of prime financial institutions and physical participants in the relevant markets. The BHP Billiton Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

The BHP Billiton Group generally does not require collateral in relation to the settlement of financial instruments.

***Geographic***

The BHP Billiton Group trades in all major geographic regions and where appropriate export finance insurance and other risk mitigation facilities are utilised to ensure settlement. Countries in which the BHP Billiton Group has a significant credit exposure are South Africa, Australia, the US, Japan and China. Other countries where a large credit risk exposure exists include South Korea, Taiwan, the UK, the rest of Europe, South East Asia, New Zealand and South America.

Terms of trade are continually monitored by the BHP Billiton Group.

Selective receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and the Australian Export Finance and Insurance Corporation.

***Industry***

The BHP Billiton Group is not materially exposed to any individual industry or customer.

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**Notes to Financial Statements continued**

38 Financial instruments continued

**Hedging of financial risks**

Changes in the fair value of instruments used as hedges are not recognised in the Statement of Financial Performance until the hedge position matures. Cumulative unrecognised gains and losses on the instruments used for hedging foreign currency transaction exposures and commodity price risks and the movements therein are as follows:

| | Gains 2005 US$M | Losses 2005 US$M | Net gains/ (losses) 2005 US$M | Gains 2004 US$M | Losses 2004 US$M | Net gains/ (losses) 2004 US$M |
|---|---|---|---|---|---|---|
| Opening balance unrecognised gains/(losses) | **17** | **(94)** | **(77)** | 104 | (17) | 87 |
| (Gains)/losses arising in previous years recognised in the year | **(7)** | **65** | **58** | (94) | 16 | (78) |
| Gains/(losses) arising in prior years and not recognised | **10** | **(29)** | **(19)** | 10 | (1) | 9 |
| Gains/(losses) arising in the year and not recognised | **372** | **(307)** | **65** | 7 | (93) | (86) |
| Closing balance unrecognised gains/(losses) [(a)] | **382** | **(336)** | **46** | 17 | (94) | (77) |
| of which: | | | | | | |
| Gains/(losses) expected to be recognised within one year | **341** | **(288)** | **53** | 7 | (65) | (58) |
| Gains/(losses) expected to be recognised after one year | **41** | **(48)** | **(7)** | 10 | (29) | (19) |
| | **382** | **(336)** | **46** | 17 | (94) | (77) |

(a) Full recognition will not appear in the Statement of Financial Performance as US$42 million profit (2004: US$26 million loss) will be capitalised into fixed assets.

Cumulative unrecognised gains and losses on instruments used to manage interest rate risk and the movements therein are as follows:

| | Forward currency swaps **2005** **US$M** | CCIRS interest component **2005** **US$M** | Interest rate swaps **2005** **US$M** | Finance lease swap [(a)] **2005** **US$M** | Forward currency swaps 2004 US$M | CCIRS interest component 2004 US$M | Interest rate swaps 2004 US$M | Finance lease swap [(a)] 2004 US$M |
|---|---|---|---|---|---|---|---|---|
| Opening balance unrecognised gains | | **22** | **(60)** | **1** | 11 | 36 | 41 | 2 |
| (Gains)/losses arising in previous years recognised in the year | | **42** | **30** | **(1)** | (7) | | | (1) |
| Gains arising in prior years and not recognised | | **64** | **(30)** | | 4 | 36 | 41 | 1 |
| Gains/(losses) arising in the year and not recognised | | **9** | **29** | | (4) | (14) | (101) | |
| Closing balance unrecognised gains/(losses) | | **73** | **(1)** | | | 22 | (60) | 1 |
| of which: | | | | | | | | |
| Gains/(losses) expected to be recognised within one year | | **(2)** | **3** | | | (42) | (30) | |
| Gains/(losses) expected to be recognised after one year | | **75** | **(4)** | | | 64 | (30) | 1 |
| | | **73** | **(1)** | | | 22 | (60) | 1 |

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**Notes to Financial Statements continued**

38 Financial instruments continued

**Fair value of financial instruments**

The following table presents the book values and fair values of the BHP Billiton Group s financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm s length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the BHP Billiton Group could realise in the normal course of business.

The fair value of the BHP Billiton Group s financial instruments is as follows:

| | Book value **2005** **US$M** | Fair value **2005** **US$M** | Book value 2004 US$M | Fair value 2004 US$M |
|---|---|---|---|---|
| *Primary and derivative financial instruments held or issued to finance the BHP Billiton Group s operations* | | | | |
| Current interest bearing liabilities | **(1 600)** | **(1 600)** | (1 330) | (1 330) |
| Non-current interest bearing liabilities | **(9 973)** | **(10 232)** | (5 876) | (6 113) |
| *Cross currency contracts* | | | | |
| Principal | **447** | **423** | 399 | 399 |
| Interest rate | **40** | **113** | 43 | 65 |
| Other liabilities to be settled in cash | **(4 931)** | **(4 931)** | (3 214) | (3 214) |
| Finance lease swap | | | 24 | 25 |
| Interest rate swaps | **28** | **27** | 30 | (30) |
| Cash and money market deposits | **1 418** | **1 418** | 1 818 | 1 818 |
| Loans to joint ventures | **84** | **84** | 238 | 238 |
| Current financial assets | **212** | **212** | 167 | 167 |
| Non-current financial assets | **98** | **163** | 123 | 202 |
| Investment in exploration companies (refer note 19) | | **21** | | 19 |
| Other assets to be settled in cash | **3 804** | **3 804** | 3 154 | 3 154 |
| *Derivative financial instruments held to hedge the BHP Billiton Group s exposure on expected future sales and capital and operating purchases* | | | | |
| Forward commodity contracts | | **6** | | (47) |
| Forward foreign currency contracts | **40** | **40** | (30) | (30) |
| | **(10 333)** | **(10 452)** | (4 454) | (4 677) |

For the purposes of the disclosures in the table above, the book value of the foreign currency assets and liabilities is shown excluding the effect of foreign currency hedges and borrowings are presented excluding the effect of the principal portion of cross currency interest rate swaps and the impact of finance lease swaps.

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**Notes to Financial Statements continued**
**39 Contingent liabilities**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Contingent liabilities at balance date, not otherwise provided for in these financial statements, are categorised as arising from: | | |
| Joint venture entities (unsecured) | | |
| Other [(a)] | 104 | 93 |
| | 104 | 93 |
| Subsidiary undertakings (unsecured, including guarantees) | | |
| Performance guarantees [(b)] | 1 | 1 |
| Other [(a)] | 155 | 144 |
| | 156 | 145 |
| Total contingent liabilities | 260 | 238 |

(a) Other contingent liabilities relate predominantly to actual or potential litigation of the Group for which amounts are reasonably estimable but the liability is not probable and therefore the Group has not provided for such amounts in these financial statements. The amounts relate to a number of actions against the Group, none of which are individually significant. Additionally, there are a number of legal claims or potential claims against the Group,

the outcome of which cannot be foreseen at present and for which no amounts have been included in the table above.

(b) The BHP Billiton Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance in the normal course of business.

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**Notes to Financial Statements continued**
**40 Commitments**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Capital expenditure commitments not provided for in the financial statements** | | |
| Due not later than one year | **2 308** | 1 321 |
| Due later than one year and not later than five years | **110** | 255 |
| Total capital expenditure commitments | **2 418** | 1 576 |
| **Lease expenditure commitments** | | |
| ***Finance leases*** (a) | | |
| Due not later than one year | **7** | 10 |
| Due later than one year and not later than five years | **30** | 42 |
| Due later than five years | **70** | 54 |
| Total commitments under finance leases | **107** | 106 |
| *deduct* Future financing charges | **51** | 30 |
| Finance lease liability | **56** | 76 |
| ***Operating leases*** (b) | | |
| Due not later than one year (c) | **250** | 199 |
| Due later than one year and not later than five years | **562** | 393 |
| Due later than five years | **212** | 231 |
| Total commitments under operating leases | **1 024** | 823 |
| **Other commitments** | | |
| ***Due not later than one year*** | | |
| Supply of goods and services | **658** | 639 |
| Royalties | **7** | 33 |
| Exploration expenditure | **199** | 46 |
| Chartering costs | **103** | 156 |
| | **967** | 874 |
| ***Due later than one year and not later than five years*** | | |
| Supply of goods and services | **1 622** | 1 304 |
| Royalties | **18** | 19 |
| Exploration expenditure | **49** | 13 |
| Chartering costs | **110** | 87 |
| | **1 799** | 1 423 |

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**Notes to Financial Statements continued**
40 Commitments continued

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| ***Due later than five years*** | | |
| Supply of goods and services | **1 136** | 954 |
| Royalties | **37** | 42 |
| Exploration expenditure | **32** | |
| Chartering costs | **34** | 45 |
| | **1 239** | 1 041 |
| Total other commitments | **4 005** | 3 338 |

(a) Finance leases are predominantly related to leases of the dry bulk carrier Iron Yandi, powerlines, mobile equipment and vehicles. Refer notes 25 and 28.

(b) Operating leases are entered into as a means of acquiring access to property, plant and equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. Certain leases contain extension and renewal options.

Amounts represent minimum lease payments.

(c) The BHP Billiton Group has commitments under operating leases to make payments totalling US$250 million (2004: US$199 million) in the next year as follows:

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Land and buildings** | | |
| Leases which expire: | | |
| Within one year | **6** | 5 |
| Between two and five years | **12** | 14 |
| Over five years | **25** | 51 |
| | **43** | 70 |
| **Other operating leases** | | |
| Leases which expire: | | |
| Within one year | **25** | 29 |
| Between two and five years | **128** | 61 |
| Over five years | **54** | 39 |
| | **207** | 129 |

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**Notes to Financial Statements continued**

**41 Superannuation, pensions and post-retirement medical benefits**

The BHP Billiton Group contributes to a number of superannuation schemes and pension schemes which exist to provide benefits for employees and their dependants on retirement, disability or death. The schemes include Company sponsored funds, multi-employer industry schemes and statutory retirement schemes and are either defined benefit or defined contribution arrangements. The BHP Billiton Group and employee members make contributions as specified in the rules of the respective schemes.

***Financial statement impacts and disclosures***

The total amount of BHP Billiton Group contributions to all schemes was US$165 million and US$154 million for the years ended 30 June 2005 and 2004 respectively.

Expenses for defined benefit pension schemes are recognised so as to allocate the cost systematically over the employees service lives on the basis of independent actuarial advice. In addition, provision is made in the financial statements for retirement benefits payable to non-executive Directors who were Directors of BHP Billiton Limited prior to the DLC merger on 29 June 2001. Formal independent actuarial reviews of BHP Billiton Group sponsored defined benefit funds are undertaken at least every three years for funding purposes, but annually for accounting purposes.

The following table outlines the annual pension charge:

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| Defined contribution schemes | **67** | 53 |
| Industry-wide schemes | **32** | 26 |
| Defined benefit schemes [(a)] | | |
| Regular cost | **46** | 40 |
| Variation cost | **37** | 41 |
| Interest cost | **(17)** | (17) |
| | **165** | 143 |

(a) Excludes net exchange gains on net monetary pension assets of US$26 million (2004: US$8 million).

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

To the extent that there is a difference between pension cost and contributions paid, an asset and/or liability arises. The accumulated difference recorded in the Statement of Financial Position at 30 June 2005 gives rise to an asset of US$312 million (2004: US$282 million) and a liability of US$80 million (2004: US$62 million).

The assets of the defined contribution schemes and the industry-wide schemes are held separately in independently administered funds. The charge in respect of these schemes is calculated on the basis of contributions due in the financial year.

The remaining pension schemes are defined benefit schemes. Some of the defined benefit schemes have their assets held separately in independently administered funds and others are unfunded. The pension costs and funding for these schemes are assessed in accordance with the advice of professionally qualified actuaries based on the most recent actuarial valuations available.

For accounting purposes, the actuarial valuations have determined pension costs for most schemes using the projected unit method. There are exceptions for some schemes that are closed to new members where the attained age method was used. The assumptions used varied by scheme. For the purposes of calculating the accounting charge, surpluses or deficiencies are recognised through the variation cost component in future accounting periods as a constant percentage of estimated future payroll, over the remaining service life of the employees.

The BHP Billiton Group provides medical benefits, which are not pre-funded, for retired employees and their dependants in South Africa, the US, Canada and Suriname. The post-retirement benefit charge, net of employees and retirees contributions paid, in respect of these benefits was US$27 million (2004: US$19 million) excluding an exchange gain of US$9 million (2004: US$20 million loss).

Where there is a surplus or deficit between the accrued liability and the provision recorded, the resulting amount is spread forward over future working lifetimes through the variation cost component. The main actuarial assumptions used in the most recent actuarial valuations of these benefits are as follows:

| | South Africa % | US % | Canada % | Suriname % |
|---|---|---|---|---|
| Ultimate healthcare inflation rate | 7.25 | 5.00 | 5.00 | 3.50 |
| Discount rate | 10.00 | 6.25 | 6.00 | 5.50 |

The following is a summary of the most recent financial position of the major schemes in which the BHP Billiton Group participates in accordance with AASB 1028 Employee Benefits based on values of assets and liabilities as at 30 June 2005:

| | | | Accrued benefits [a] | | Plan assets | | Net surplus/ (deficit) | | Vested benefits [a] | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of fund | Fund type | Last reporting date | **2005 US$M** | 2004 US$M | **2005 US$M** | 2004 US$M | **2005 US$M** | 2004 US$M | **2005 US$M** | 2004 US$M |
| BHP Billiton Superannuation Fund [a][b] | Defined benefit/ Defined contribution | 30 June 2005 | **1 228** | 988 | **1 272** | 988 | **44** | | **1 284** | 1 021 |
| Other plans [c][d] | Defined benefit | 30 June 2005 | **1 227** | 1 037 | **1 120** | 929 | **(107)** | (108) | **1 227** | 1 037 |
| Total for BHP Billiton Group sponsored plans | | | **2 455** | 2 025 | **2 392** | 1 917 | **(63)** | (108) | **2 511** | 2 058 |

(a) Vested benefits are benefits which are not conditional upon continued membership of the respective fund or any other factor other than resignation from the fund. Accrued benefits are calculated by the actuary as the present value of future benefit payments in relation to membership and compensation up to the relevant reporting date.

(b) Obligation on the BHP Billiton Group to contribute under Superannuation Guarantee levy requirements. Contributions are made by the member and the BHP Billiton Group and are based on a percentage of a member s base salary or wage.

(c) Non-Australian plans are not required to report under AAS 25

Financial Reporting by Superannuation Plans , and hence do not produce results for reporting under AASB 1028. Accrued liabilities and asset values for other plans have generally been taken from FRS 17 disclosures as at 30 June 2005 (refer below), amended to comply with the principles of AASB 1028 if required. For other plans, the value of vested benefits have generally been taken as the value of accrued benefits.

(d) Net surplus/(deficit) in respect of other plans does not include surpluses in respect of certain plans in South Africa, Suriname and Canada. This is to reflect legislative restrictions on access to any surplus amounts by the BHP Billiton Group. Liability values have been

increased to
reflect this.

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

***Other methods***

Various accounting standards relating to accounting for pension arrangements are in use, or available for use, in jurisdictions throughout the world. While Australian GAAP has no specific standard dealing with accounting for pension arrangements by employers, disclosure requirements are included in AASB 1028 Employee Benefits . UK GAAP allows the application of either SSAP 24 Accounting for Pension Costs or FRS 17 Retirement Benefits , US GAAP requires application of FAS 87 Employers Accounting for Pensions as amended by FAS 132 Employers Disclosures about Pensions and Other Postretirement Benefits and International Financial Reporting Standards will require IAS 19 Employee Benefits to be applied.

The accounting policy adopted by the BHP Billiton Group is consistent with the requirements of SSAP 24 and has been consistently applied in these financial statements.

SSAP 24, FAS 87 and IAS 19 are similar in that they all include mechanisms which defer or spread the recognition of actuarial gains and losses and therefore mitigate the volatility in net profit between reporting periods. SSAP 24, FAS 87 and one of the options under IAS 19 achieve this through the recognition of actuarial gains and losses over the remaining expected employees service lives.

FRS 17 and another option under IAS 19 mitigate the volatility in net profit by taking all actuarial gains and losses directly to shareholders equity through the Statement of Total Recognised Gains and Losses (STRGL). The AASB has released AASB 119 Employee Benefits which is consistent with IAS 19 and is similar to FRS 17 in many respects including disclosure requirements. For this reason the Directors are of the opinion that the Group s FRS 17 disclosures, although not required under Australian GAAP, may be of interest to all shareholders of the BHP Billiton Group.

***Pension schemes FRS 17 disclosures***

The BHP Billiton Group operates a number of defined benefit schemes in Australia, Canada, the US, Europe, South Africa and South America. Full actuarial valuations are performed by local actuaries for all funds at a date close to 30 June 2005 and rolled forward to 30 June 2005. For a minority of plans it has been necessary to roll forward liabilities calculated using earlier valuations. The major assumptions used by the actuaries are as follows:

| | Australia % | Canada % | US % | Europe % | South Africa % | South America % |
|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | |
| Salary increases | **4 to 5** | **3.5 to 4.5** | **4.5** | **2.9 to 5.05** | **5 to 6** | **4 to 6.08** |
| Pension increases | **n/a** | **0** | **0 to 3** | **1.9 to 2.8** | **3.2 to 4** | **2.5 to 4** |
| Discount rate | **5.2** | **5.2** | **5.1** | **3.9 to 5.0** | **7.75 to 8** | **5.25 to 10.24** |
| Inflation | **2.5** | **2.5 to 2.7** | **3** | **1.9 to 2.8** | **4** | **3 to 4** |
| *Year ended 30 June 2004* | | | | | | |
| Salary increases | 4 to 5 | 3.5 to 4.5 | 4.5 | 3 to 5 | 7 to 8 | 3.5 to 6.08 |
| Pension increases | n/a | 0 | 0 to 3 | 2 to 3 | 3.5 to 5.8 | 2 to 4 |
| Discount rate | 5.5 to 5.8 | 6 to 6.5 | 6.25 to 6.5 | 5.3 to 5.75 | 8 to 8.6 | 5.5 to 10.24 |
| Inflation | 2.5 | 2.5 | 3 | 2 to 3 | 6 | 2.5 to 4 |

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

The fair market value of the assets and the surplus/(deficit) of the defined benefit schemes were:

| | Australia US$M | Canada US$M | US US$M | Europe US$M | South Africa US$M | South America US$M | Total US$M |
|---|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | | |
| Bonds | **100** | **70** | **77** | **86** | **23** | **85** | **441** |
| Equities | **243** | **50** | **237** | **104** | **115** | **2** | **751** |
| Property | **33** | | | | **3** | | **36** |
| Cash and net current assets | **11** | **6** | **3** | **4** | **19** | **1** | **44** |
| Insured annuities | | **9** | | **20** | **98** | | **127** |
| Other | **11** | | | **21** | **4** | **1** | **37** |
| Total assets | **398** | **135** | **317** | **235** | **262** | **89** | **1 436** |
| Actuarial liabilities | **(418)** | **(130)** | **(530)** | **(351)** | **(189)** | **(89)** | **(1 707)** |
| Unrecognised surplus | | **(27)** | | **(3)** | **(73)** | **(3)** | **(106)** |
| Deficit | **(20)** | **(22)** | **(213)** | **(119)** | | **(3)** | **(377)** |
| Related deferred tax asset | **7** | **3** | | **34** | | **1** | **45** |
| Net pension liability | **(13)** | **(19)** | **(213)** | **(85)** | | **(2)** | **(332)** |
| Year ended 30 June 2004 | | | | | | | |
| Bonds | 90 | 59 | 74 | 77 | 29 | 59 | 388 |
| Equities | 153 | 35 | 218 | 94 | 95 | 1 | 596 |
| Property | 22 | | | | 11 | | 33 |
| Cash and net current assets | 1 | 5 | 6 | 13 | 6 | 1 | 32 |
| Insured annuities | | 8 | | 19 | 87 | | 114 |
| Other | | | | 6 | 2 | 1 | 9 |
| Total assets | 266 | 107 | 298 | 209 | 230 | 62 | 1 172 |
| Actuarial liabilities | (303) | (96) | (449) | (280) | (211) | (54) | (1 393) |
| Unrecognised surplus | | (22) | | | (34) | (10) | (66) |
| Deficit | (37) | (11) | (151) | (71) | (15) | (2) | (287) |
| Related deferred tax asset | 11 | 3 | 16 | 15 | 4 | | 49 |
| Net pension liability | (26) | (8) | (135) | (56) | (11) | (2) | (238) |

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

The expected rates of return on these asset categories were:

| | Australia % | Canada % | US % | Europe % | South Africa % | South America % |
|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | |
| Bonds | **4.6 to 5.4** | **5.3 to 5.75** | **4.5 to 6.5** | **3.6 to 4.8** | **6.27 to 7** | **6 to 12.1** |
| Equities | **8.4 to 9.9** | **8 to 8.6** | **8 to 9** | **7.1 to 8** | **9 to 9.25** | **15.5 to 16.96** |
| Property | **6.9 to 7.6** | **n/a** | **n/a** | **n/a** | **9.25** | **n/a** |
| Cash and net current assets | **4.2** | **2.5 to 3** | **3 to 3.5** | **3.8 to 5** | **4.3 to 5.57** | **6** |
| Insured annuities | **n/a** | **2** | **n/a** | **5** | **6.75 to 8** | **n/a** |
| Other | **6.8 to 9.9** | **n/a** | **n/a** | **4.35 to 5.3** | **5.57 to 9.25** | **12** |
| Total assets | **7.36 to 8.14** | **2 to 7.48** | **5.52 to 8.39** | **4.8 to 7.16** | **7.4 to 8.41** | **6.25 to 12.43** |
| *Year ended 30 June 2004* | | | | | | |
| Bonds | 6 | 5.2 to 6 | 5 to 7 | 4.5 to 5.25 | 8 to 10.5 | 6 to 10.24 |
| Equities | 8 | 8 to 8.3 | 8.5 to 9 | 8 to 8.3 | 12 | 9 to 10.24 |
| Property | 7 | n/a | n/a | n/a | 12 | n/a |
| Cash and net current assets | 5 | 2.7 to 4 | 3.5 to 4 | 3.7 to 5.7 | 6 to 9 | 6 to 10.24 |
| Insured annuities | n/a | 3.75 | n/a | 5.7 | 9.1 to 10.5 | n/a |
| Other | n/a | n/a | n/a | 4.75 to 5.7 | 7.8 to 12 | 9 |
| Total assets | 7.5 to 7.53 | 3.75 to 7.23 | 6 to 8.5 | 5.51 to 7.52 | 10.3 to 11.01 | 6 to 10.24 |

Analysis of the operating costs:

| | Australia US$M | Canada US$M | US US$M | Europe US$M | South Africa US$M | South America US$M | Total US$M |
|---|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | | |
| Current service cost | **25** | **5** | **12** | **12** | **3** | **1** | **58** |
| Past service costs | | | | **(4)** | | | **(4)** |
| Curtailment losses/(gains) | | | **(2)** | **2** | **(3)** | | **(3)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total operating charge | **25** | **5** | **10** | **10** | | **1** | **51** |
| *Year ended 30 June 2004* | | | | | | | |
| Current service cost | 26 | 3 | 12 | 11 | 4 | 1 | 57 |
| Past service costs | | | 2 | | | 13 | 15 |
| Previously unrecognised surplus deducted from past service costs | | | | | | (10) | (10) |
| Total operating charge | 26 | 3 | 14 | 11 | 4 | 4 | 62 |

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

Analysis of the financing credits/(costs):

| | Australia US$M | Canada US$M | US US$M | Europe US$M | South Africa US$M | South America US$M | Total US$M |
|---|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | | |
| Expected return on pension scheme assets | **22** | **6** | **25** | **14** | **20** | **5** | **92** |
| Interest on pension scheme liabilities | **(18)** | **(7)** | **(28)** | **(16)** | **(17)** | **(4)** | **(90)** |
| Net return/(cost) | **4** | **(1)** | **(3)** | **(2)** | **3** | **1** | **2** |
| *Year ended 30 June 2004* | | | | | | | |
| Expected return on pension scheme assets | 19 | 5 | 22 | 11 | 18 | 3 | 78 |
| Interest on pension scheme liabilities | (14) | (6) | (27) | (13) | (14) | (2) | (76) |
| Net return/(cost) | 5 | (1) | (5) | (2) | 4 | 1 | 2 |

Analysis of gains and losses that would be recognised in STRGL:

| | Australia US$M | Canada US$M | US US$M | Europe US$M | South Africa US$M | South America US$M | Total US$M |
|---|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | | |
| Actual return less expected return on pension scheme assets | **33** | **11** | **7** | **13** | **40** | **10** | **114** |
| Experience gains/(losses) arising on scheme liabilities | **(2)** | **(4)** | | **(2)** | **6** | **(5)** | **(7)** |
| Changes in assumptions underlying the present value of scheme liabilities | **(8)** | **(14)** | **(74)** | **(60)** | **7** | **(15)** | **(164)** |
| | | **(3)** | | **(3)** | **(44)** | **8** | **(42)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Gain/(losses) pursuant to unrecognised surpluses | | | | | | | |
| Total actuarial gain/(loss) recognised in STRGL | **23** | **(10)** | **(67)** | **(52)** | **9** | **(2)** | **(99)** |
| Difference between expected and actual outcomes: | | | | | | | |
| Asset gain/(loss) as a percentage of scheme assets | **8.3%** | **8.1%** | **2.2%** | **5.5%** | **15.3%** | **11.2%** | **7.9%** |
| Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities | **(0.5%)** | **(3.1%)** | **0.0%** | **(0.6%)** | **3.2%** | **(5.6%)** | **(0.4%)** |
| Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities | **5.5%** | **(7.7%)** | **(12.6%)** | **(14.8%)** | **4.8%** | **(2.2%)** | **(5.8%)** |
| *Year ended 30 June 2004* | | | | | | | |
| Actual return less expected return on pension scheme assets | 21 | 5 | 24 | (4) | 9 | 14 | 69 |
| Experience gains/(losses) arising on scheme liabilities | (22) | | | (6) | 4 | (1) | (25) |
| Changes in assumptions underlying the present value of scheme liabilities | 18 | 1 | 23 | 12 | (27) | | 27 |
| Loss pursuant to unrecognised surpluses | | (3) | | | | (10) | (13) |
| Total actuarial gain/(loss) recognised in | 17 | 3 | 47 | 2 | (14) | 3 | 58 |

STRGL

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Difference between expected and actual outcomes: | | | | | | | |
| Asset gain/(loss) as a percentage of scheme assets | 7.9% | 4.7% | 8.1% | (1.9%) | 3.9% | 22.6% | 5.9% |
| Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities | (7.3%) | 0% | 0% | (2.1%) | 1.9% | (1.9)% | (1.8%) |
| Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities | 5.6% | 3.1% | 10.5% | 0.7% | (6.6%) | 5.6% | 4.2% |

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

The Pension Funds Second Amendment Act, 2001 in South Africa requires surpluses in pension funds to be used in a manner specified under Regulations to the Act to improve current and former members benefits prior to the employer obtaining any benefit from the surpluses. Consequently, no surplus is recognised for the South African schemes with an actuarial loss recognised in the STRGL.

Analysis of the movement in surplus/(deficit):

| | Australia US$M | Canada US$M | US US$M | Europe US$M | South Africa US$M | South America US$M | Total US$M |
|---|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | | |
| Deficit in schemes at 30 June 2004 | **(37)** | **(11)** | **(151)** | **(71)** | **(15)** | **(2)** | **(287)** |
| *Movement during the year:* | | | | | | | |
| Adjustment for changes in the Group structure and joint venture arrangements | **(4)** | | | | | | **(4)** |
| Current service cost | **(25)** | **(5)** | **(12)** | **(12)** | **(3)** | **(1)** | **(58)** |
| Contributions | **22** | **7** | **18** | **14** | **3** | **2** | **66** |
| Past service cost | | | | **4** | | | **4** |
| Other finance income/(costs) | **4** | **(1)** | **(3)** | **(2)** | **3** | **1** | **2** |
| Actuarial gains/(losses) | **23** | **(10)** | **(67)** | **(52)** | **9** | **(2)** | **(99)** |
| Curtailment gains/(losses) | | | **2** | **(2)** | **3** | | **3** |
| Exchange gains/(losses) | **(3)** | **(2)** | | **2** | | **(1)** | **(4)** |
| Deficit in schemes at 30 June 2005 | **(20)** | **(22)** | **(213)** | **(119)** | | **(3)** | **(377)** |
| *Year ended 30 June 2004* | | | | | | | |
| Deficit in schemes at 30 June 2003 | (52) | (14) | (189) | (76) | (2) | (3) | (336) |
| *Movement during the year:* | | | | | | | |
| Adjustment for changes in the Group structure and joint venture arrangements | (2) | (2) | (9) | | | | (13) |
| Current service cost | (26) | (3) | (12) | (11) | (4) | (1) | (57) |
| Contributions | 23 | 7 | 19 | 22 | 4 | | 75 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Past service cost | | | (2) | | | (3) | (5) |
| Other finance income/(costs) | 5 | (1) | (5) | (2) | 4 | 1 | 2 |
| Actuarial gains/(losses) | 17 | 3 | 47 | 2 | (14) | 3 | 58 |
| Exchange gains/(losses) | (2) | (1) | | (6) | (3) | 1 | (11) |
| Deficit in schemes at 30 June 2004 | (37) | (11) | (151) | (71) | (15) | (2) | (287) |

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

**Post-retirement medical benefits FRS 17 disclosures**

The BHP Billiton Group also operates a number of post-retirement medical benefit arrangements in South Africa, the US, Canada and Suriname. Full actuarial valuations were carried out as at 30 June 2005, many of them by local actuaries. For a minority of plans it has been necessary to roll forward liabilities calculated using earlier data. The major assumptions used by the actuaries are as follows:

| | South Africa % | US % | Canada % | Suriname % | UK % |
|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | |
| Ultimate healthcare inflation rate | **6** | **5** | **5** | **5** | **n/a** |
| Discount rate | **8.25** | **5.1** | **5.2** | **5.25** | **n/a** |
| *Year ended 30 June 2004* | | | | | |
| Ultimate healthcare inflation rate | 7.25 | 5 | 5 | 3.5 | 5.7 |
| Discount rate | 10 | 6.25 | 6 | 5.5 | 2.5 |

The actuarial liabilities of the post-retirement medical benefits were:

| | South Africa US$M | US US$M | Canada US$M | Suriname US$M | UK US$M | Total US$M |
|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | |
| Present value of scheme liabilities | **(143)** | **(147)** | **(26)** | **(19)** | | **(335)** |
| Past service credit | **(18)** | | | | | **(18)** |
| Deficit | **(161)** | **(147)** | **(26)** | **(19)** | | **(353)** |
| Related deferred tax asset | **48** | **16** | | **6** | | **70** |
| Net post-retirement liability | **(113)** | **(131)** | **(26)** | **(13)** | | **(283)** |
| *Year ended 30 June 2004* | | | | | | |
| Present value of scheme liabilities | (161) | (124) | (25) | (10) | (1) | (321) |
| Past service credit | (27) | | | | | (27) |
| Deficit | (188) | (124) | (25) | (10) | (1) | (348) |
| Related deferred tax asset | 56 | 5 | | 3 | | 64 |
| Net post-retirement liability | (132) | (119) | (25) | (7) | (1) | (284) |

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

Analysis of the operating costs/(credits):

| | South Africa US$M | US US$M | Canada US$M | Suriname US$M | UK US$M | Total US$M |
|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | |
| Current service cost | **4** | **3** | | | | **7** |
| Past service cost | **(7)** | | | | | **(7)** |
| Curtailment gains | **(22)** | | | | | **(22)** |
| Total operating charge | **(25)** | **3** | | | | **(22)** |
| *Year ended 30 June 2004* | | | | | | |
| Current service cost | 3 | 3 | | | | 6 |
| Past service cost | 16 | 1 | | | | 17 |
| Total operating charge | 19 | 4 | | | | 23 |

Analysis of the financing credits/(costs):

| | South Africa US$M | US US$M | Canada US$M | Suriname US$M | UK US$M | Total US$M |
|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | |
| Interest on post-retirement medical liabilities | **(16)** | **(8)** | **(1)** | **(1)** | | **(26)** |
| Net cost | **(16)** | **(8)** | **(1)** | **(1)** | | **(26)** |
| *Year ended 30 June 2004* | | | | | | |
| Interest on post-retirement liabilities | (14) | (8) | (1) | (1) | | (24) |
| Net cost | (14) | (8) | (1) | (1) | | (24) |

Analysis of gains and losses that would be recognised in STRGL:

| | South Africa US$M | US US$M | Canada US$M | Suriname US$M | UK US$M | Total US$M |
|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | |
| Experience gains arising on scheme liabilities | **5** | **1** | **1** | **1** | | **8** |
| Changes in assumptions underlying the present value of | **(8)** | **(21)** | | **(6)** | | **(35)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| scheme liabilities | | | | | | |
| Actuarial (loss)/gain recognised in STRGL | **(3)** | **(20)** | **1** | **(5)** | | **(27)** |
| Difference between expected and actual outcomes: | | | | | | |
| Experience gains on scheme liabilities as a percentage of the present value of scheme liabilities | **3.5%** | **0.7%** | **3.8%** | **5.3%** | **0%** | **2.4%** |
| Total (loss)/gain recognised in STRGL as a percentage of the present value of scheme liabilities | **(2.1%)** | **(13.6%)** | **3.8%** | **(26.3%)** | **0%** | **(8.1%)** |
| *Year ended 30 June 2004* | | | | | | |
| Experience gains arising on scheme liabilities | 23 | 10 | | | | 33 |
| Changes in assumptions underlying the present value of scheme liabilities | (1) | 3 | | | | 2 |
| Actuarial gain recognised in STRGL | 22 | 13 | | | | 35 |
| Difference between expected and actual outcomes: | | | | | | |
| Experience gains on scheme liabilities as a percentage of the present value of scheme liabilities | 14.3% | 8.1% | 0% | 0% | 0% | 10.3% |
| Total gain recognised in STRGL as a percentage of the present value of scheme liabilities | 13.7% | 10.5% | 0% | 0% | 0% | 10.9% |

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**Notes to Financial Statements continued**

41 Superannuation, pensions and post-retirement medical benefits continued

Analysis of the movement in surplus/(deficit):

| | South Africa US$M | US US$M | Canada US$M | Suriname US$M | UK US$M | Total US$M |
|---|---|---|---|---|---|---|
| ***Year ended 30 June 2005*** | | | | | | |
| Deficit in schemes at 30 June 2004 | **(188)** | **(124)** | **(25)** | **(10)** | **(1)** | **(348)** |
| *Movement during the year:* | | | | | | |
| Adjustment for changes in the Group structure and joint venture arrangements | | | | **(3)** | **1** | **(2)** |
| Current service cost | **(4)** | **(3)** | | | | **(7)** |
| Contributions | **9** | **8** | **2** | | | **19** |
| Past service costs | **7** | | | | | **7** |
| Other finance costs | **(16)** | **(8)** | **(1)** | **(1)** | | **(26)** |
| Actuarial gains/(losses) | **(3)** | **(20)** | **1** | **(5)** | | **(27)** |
| Curtailment gains | **22** | | | | | **22** |
| Exchange gains/(losses) | **12** | | **(3)** | | | **9** |
| Deficit in schemes at 30 June 2005 | **(161)** | **(147)** | **(26)** | **(19)** | | **(353)** |

| | South Africa US$M | US US$M | Canada US$M | Suriname US$M | UK US$M | Total US$M |
|---|---|---|---|---|---|---|
| *Year ended 30 June 2004* | | | | | | |
| Deficit in schemes at 30 June 2003 | (153) | (137) | (26) | (19) | | (335) |
| *Movement during the year:* | | | | | | |
| Adjustment for changes in the Group structure and joint venture arrangements | | 2 | | 9 | (1) | 10 |
| Current service cost | (3) | (3) | | | | (6) |
| Contributions | 6 | 10 | 2 | 1 | | 19 |
| Past service costs | (16) | (1) | | | | (17) |
| Other finance costs | (14) | (8) | (1) | (1) | | (24) |
| Actuarial gains | 22 | 13 | | | | 35 |
| Exchange losses | (30) | | | | | (30) |
| Deficit in schemes at 30 June 2004 | (188) | (124) | (25) | (10) | (1) | (348) |

**Joint ventures FRS 17 disclosures**

If the measurement principles of FRS 17 had been applied to the pension schemes and post-retirement medical benefit schemes of the Group s joint ventures at 30 June 2005, a deficit of US$nil (2004: US$49 million) would have been recognised in the Statement of Financial Position and actuarial gains of US$nil (2004: US$12 million) would have been taken to the Group STRGL. The relevant joint ventures have been sold during the financial year.

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**Notes to Financial Statements continued**

**42 Directors and executives disclosures**

**Directors**

The following persons were Directors of the BHP Billiton Group during the financial year:

**Chairman non-executive**

D R Argus AO

**Executive Directors**

C W Goodyear, *Chief Executive Officer*

M Salamon, *Group President Non-Ferrous Metals*

**Non-executive Directors**

Dr D C Brink

Dr J G Buchanan

M A Chaney

Mr C Cordeiro*

D A Crawford

Dr D A Jenkins

Lord Renwick of Clifton

Dr J M Schubert

* Appointed on 3 February 2005. Mr Cordeiro vacated his office on 3 April and was re-appointed to the Board on 26 August. This unusual situation arose because Mr Cordeiro was not able to satisfy the minimum shareholding requirement of Directors as provided for in the Articles of Association of BHP Billiton Plc and the Constitution of BHP Billiton Limited because, like all other Directors and senior executives, he was in possession of unpublished price sensitive information relating to the acquisition by BHP Billiton of WMC Resources Ltd for the period that was available for him to comply.

**Executives (other than Directors) with the greatest authority for strategic direction and management**

The following persons were Specified Executives being the executives with the greatest authority for the strategic direction and management of the Group during the current financial year:

| Name | Position | Employer |
|---|---|---|
| P S Aiken | Group President Energy | BHP Billiton Limited |
| J C Fast | Chief Legal Counsel | BHP Billiton Limited |
| R W Kirkby | Group President Carbon Steel Materials | BHP Billiton Limited |
| Dr M J Kloppers | Chief Commercial Officer | BHP Billiton Plc |
| C J Lynch | Chief Financial Officer | BHP Billiton Limited |

**Remuneration of Directors and Specified Executives**

The principles used to determine the nature and amount of remuneration are detailed in the Remuneration Report in the BHP Billiton Limited Annual Report 2005 ( Remuneration Report ). The sections of the Remuneration Report referred to within this note form part of the financial report. The following are the relevant sections of the report:

Section 2 Remuneration Policy

Section 3 Remuneration structure (excluding sub-section 3.3);

Section 4 Executive Directors;

Section 6.1 Non-executive Directors Remuneration policy; and

Section 8 Appendices

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**Notes to Financial Statements continued**

42 Directors and executives disclosures continued

***Details of remuneration***

Details of the remuneration of each Director of BHP Billiton Limited and each of the Specified Executives of the BHP Billiton Group, including their personally-related entities, are set out in the following tables:

*Directors of BHP Billiton Limited*

| | | | | | Post-employment | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **2005** | Primary benefits | | | | benefits | Equity compensation[a] [b] | | Total | Total |
| Name | Base salary, fees and allowances S$ | Annual cash bonus US$ | Dividend Equivalent Payment value[c] US$ | Other benefits[d] US$ | Retirement benefits US$ | Value of deferred Shares and Options[e] US$ | Share based compensation long-term US$ | 2005 US $ | |
| D R Argus AO | **465 000** | | | **1 847** | **23 388** | | | **490 235** | 251 |
| C W Goodyear | **1 312 500** | **1 240 313** | **221 650** | **60 801** | **630 000** | **917 549** | **552 711** | **4 935 524** | 4 137 |
| M Salamon | **1 329 998** | **1 207 599** | **116 768** | **148 751** | **700 243** | **796 167** | **439 554** | **4 739 080** | 3 593 |
| Dr D C Brink | **159 000** | | | **3 924** | | | | **162 924** | 100 |
| Dr J G Buchanan | **152 000** | | | **4 547** | | | | **156 547** | 108 |
| M A Chaney[f] | **103 000** | | | **87** | **4 421** | | | **107 508** | 83 |
| C Cordeiro [h] | **21 369** | | | | | | | **21 369** | |
| D A Crawford | **140 000** | | | **3 769** | **6 497** | | | **150 266** | 104 |
| Dr D A Jenkins | **142 000** | | | | | | | **142 000** | 110 |
| Lord Renwick of Clifton | **107 000** | | | | | | | **107 000** | 73 |
| Dr J M Schubert | **115 000** | | | **1 651** | **5 199** | | | **121 850** | 83 |
| Total | **4 046 867** | **2 447 912** | **338 418** | **225 377** | **1 369 748** | **1 713 716** | **992 265** | **11 134 303** | 8 652 |

(a) The amount in respect of equity compensation represents the

estimated value of awards granted under the applicable schemes. For long-term share based compensation fair values at grant date are independently determined using a Monte Carlo simulation model which takes into account Performance Hurdles, the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value of Deferred Shares is estimated at grant date by discounting the total value of the shares that will be issued in the future using the risk-free interest rate for the term of the

vesting period.

(b) Equity compensation is to be allocated and included in remuneration over the vesting period.

(c) Awards of 2004 GIS Deferred Shares and Options (under the amended scheme), 2005 GIS Deferred Shares and Options and 2004 LTIP Performance Shares are entitled to a payment in lieu of dividends. This Dividend Equivalent Payment is equal to the amount that would have been earned over the performance or retention period and will be made on transfer of shares to the participant. Total estimated Dividend Equivalent Payments receivable are included over the vesting period.

(d) The Group pays premiums for

Directors and Officers insurance, which insures the Directors and Specified Executives, amongst others, against certain liabilities (including legal costs) they may incur in carrying out their duties for the Group. It is not possible to determine an amount attributable to any specific person covered by the insurance.

(e) Value of deferred shares and options is included over the vesting period.

(f) Fees payable to Michael Chaney were paid to his employer Wesfarmers Limited during the year until 12 July 2005 when he retired from that company.

(g) Amounts in respect of the estimated value of remuneration for 2004 have been restated. The estimated value of equity compensation

has been calculated on a comparable basis to the valuations performed at 30 June 2005. This restatement is largely due to the application of AASB 1046A which has resulted in the estimated value of awards granted under long-term incentive schemes now being calculated using a Monte Carlo simulation methodology which takes account of Performance Hurdles.

(h) Appointed 3 February 2005. Mr Cordeiro vacated his office on 3 April and was re-appointed by the Board on 26 August. During the period for which Mr Cordeiro did not hold office as a Director he attended meetings by invitation. In addition to the fees disclosed in the table, Mr Cordeiro was paid US$27 542 during the

period in which
he was not a
member of the
Board.

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**Notes to Financial Statements continued**

42 Directors and executives disclosures continued

Certain non-executive Directors are members of a retirement fund, which was closed on 24 October 2003. An earnings rate equal to the five year Australian Government Bond Rate is being applied to the frozen entitlements that had accumulated at that date. Further details are provided in Section 6.3 of the Remuneration Report. The interest earned is not considered to form part of their remuneration.

*Specified executives of the BHP Billiton Group*

| 2005 | Primary benefits | | | | Post-employment benefits | Equity compensation[a] [b] | | Total |
|---|---|---|---|---|---|---|---|---|
| Name | Base salary US$ | Annual cash bonus US$ | Dividend Equivalent Payment value[c] US$ | Other Benefits[d] US$ | Retirement benefits US$ | Value of Deferred Shares US$ | Share based compensation long-term US$ | 200 US |
| P S Aiken | 1 012 656 | 731 330 | 86 361 | 920 606 | 365 569 | 552 426 | 328 088 | 3 997 03 |
| J C Fast | 707 053 | 651 832 | 73 686 | | 253 832 | 481 135 | 259 287 | 2 426 82 |
| R W Kirkby | 828 823 | 781 497 | 85 502 | 1 296 | 303 349 | 536 654 | 281 608 | 2 818 72 |
| Dr M J Kloppers | 864 532 | 815 409 | 87 915 | 157 585 | 357 244 | 548 830 | 294 075 | 3 125 59 |
| C J Lynch | 792 855 | 719 278 | 84 302 | 24 268 | 275 121 | 520 745 | 291 075 | 2 707 64 |
| Total | 4 205 919 | 3 699 346 | 417 766 | 1 103 755 | 1 555 115 | 2 639 790 | 1 454 133 | 15 075 82 |

(a) The amount in respect of equity compensation represents the estimated value of awards granted under the applicable schemes. For long-term share based compensation fair values at grant date are independently determined using a Monte Carlo simulation model which takes into account

Performance Hurdles, the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value of Deferred Shares is estimated at grant date by discounting the total value of the shares that will be issued in the future using the risk-free interest rate for the term of the vesting period.

(b) Equity compensation is to be allocated and included in remuneration over the vesting period.

(c) Awards of 2004 GIS Deferred Shares and Options (under the amended scheme), 2005 GIS Deferred

Shares and Options and 2004 LTIP Performance Shares are entitled to a payment in lieu of dividends. This Dividend Equivalent Payment is equal to the amount that would have been earned over the performance or retention period and will be made on transfer of shares to the participant. Total estimated Dividend Equivalent Payments receivable are included over the vesting period.

(d) The Group pays premiums for Directors and Officers insurance, which insures the Directors and Specified Executives, amongst others, against certain liabilities (including legal costs) they may incur in carrying out their duties for the Group. It is not possible to determine an

amount attributable to any specific person covered by the insurance.

(e) Amounts in respect of the estimated value of remuneration for 2004 have been restated. The estimated value of equity compensation has been calculated on a comparable basis to the valuations performed at 30 June 2005. This restatement is largely due to the application of AASB 1046A which has resulted in the estimated value of awards granted under long-term incentive schemes now being calculated using a Monte Carlo simulation methodology which takes account of Performance Hurdles.

***Service agreements***

Remuneration and other terms of employment for the executive Directors and the Specified Executives are formalised in service agreements. Each of these agreements provides performance-related cash bonuses, other benefits including health insurance, relocation costs, life assurance, car allowances and tax advisory services, and participation, when eligible, in the Group Incentive Scheme. Major provisions of the agreements relating to remuneration are set out in the Remuneration Report. The relevant sections of the report are as follows:

Section 4 Executive Directors;

Section 6.1 Non-Executive Directors Remuneration Policy;

Section 5.1 Specified Executives Service contracts;

Section 5.3 Specified Executives Group Incentive Scheme; and

Section 5.5 Specified Executives Retirement benefits.

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**Notes to Financial Statements continued**

42 Directors and executives disclosures continued

**Share and Option plans**

The details of executive Directors interests in long-term incentive plans including the number of Shares and Options awarded in the financial year ended 30 June 2005, all of which were granted as remuneration, are detailed in the Remuneration Report in sections 4.1.4 for C W Goodyear and section 4.2.4 for M Salamon. The non-executive Directors do not receive options and rights as part of their remuneration.

The following tables set out details of the Specified Executives interests in long-term incentive plans including the number of Shares and Options awarded in the financial year ended 30 June 2005, all of which were granted as remuneration. The details of the Specified Executives interests in the plans, including comparatives, are presented as ordinary shares under award. This includes where applicable a bonus element to which the participant became entitled as a result of the DLC merger on 29 June 2001 and the BHP Steel Limited demerger on 1 July 2002. No options held by Specified Executives are vested but not exercisable, except where stated. There are no amounts outstanding on the exercise of options unless otherwise stated.

Group Incentive Scheme 2004 Deferred Shares

| Name | Ordinary Shares under award | | | | | Vesting date |
|---|---|---|---|---|---|---|
| | At 1 July 2004 | Granted[(a)] | Vested | Lapsed | **At 30 June 2005** | |
| P S Aiken[(b)] | | 58 553 | | | **58 553** | August 2006 |
| J C Fast[(b)] | | 53 908 | | | **53 908** | August 2006 |
| R W Kirkby [(b)] | | 57 450 | | | **57 450** | August 2006 |
| Dr M J Kloppers[(c)] | | 60 548 | | | **60 548** | August 2006 |
| C J Lynch [(b)] | | 55 908 | | | **55 908** | August 2006 |
| Total | | 2 86 367 | | | **28 6367** | |

(a) The market price of BHP Billiton Limited shares and BHP Billiton Plc shares on date of grant (3 December 2004) was A$15.28 and £5.91 respectively. The fair value per Deferred Share was estimated at

A$13.34 and £5.31 respectively.

(b) Granted BHP Billiton Limited awards.

(c) Granted BHP Billiton Plc awards.

Long Term Incentive Plan 2004 Performance Shares

| Name | Ordinary Shares under award | | | | | Vesting date |
|---|---|---|---|---|---|---|
| | At 1 July 2004 | Granted[a] | Vested | Lapsed | **At 30 June 2005** | |
| P S Aiken[b] | | 225 000 | | | **225 000** | August 2009 |
| J C Fast[b] | | 175 000 | | | **175 000** | August 2009 |
| R W Kirkby[b] | | 225 000 | | | **225 000** | August 2009 |
| Dr M J Kloppers[c] | | 225 000 | | | **225 000** | August 2009 |
| C J Lynch[b] | | 225 000 | | | **225 000** | August 2009 |
| Total | | 1 075 000 | | | **1 075 000** | |

(a) The market price of BHP Billiton Limited shares and BHP Billiton Plc shares on date of grant (3 December 2004) was A$15.28 and £5.91 respectively. The fair value per Performance Share was estimated at A$6.85 and £2.63 respectively.

(b) Granted BHP Billiton Limited awards.

(c) Granted BHP Billiton Plc awards.

Group Incentive Scheme 2003 Deferred Shares

| Name | Ordinary Shares under award | | | | | Vesting date |
|---|---|---|---|---|---|---|
| | At 1 July 2004 | Granted | Vested | Lapsed | **At 30 June 2005** | |
| P S Aiken | 69 815 | | | | **69 815** | August 2005 |
| J C Fast | 54 782 | | | | **54 782** | August 2005 |
| R W Kirkby | 58 031 | | | | **58 031** | August 2005 |
| Dr M J Kloppers | 55 378 | | | | **55 378** | August 2005 |
| C J Lynch | 61 010 | | | | **61 010** | August 2005 |
| Total | 299 016 | | | | **299 016** | |

Group Incentive Scheme 2003 Performance Shares

| Name | Ordinary Shares under award | | | | | Vesting date |
|---|---|---|---|---|---|---|
| | At 1 July 2004 | Granted | Vested | Lapsed | **At 30 June 2005** | |
| P S Aiken | 69 815 | | | | **69 815** | August 2006 |
| J C Fast | 54 782 | | | | **54 782** | August 2006 |
| R W Kirkby | 58 031 | | | | **58 031** | August 2006 |
| Dr M J Kloppers | 55 378 | | | | **55 378** | August 2006 |
| C J Lynch | 61 010 | | | | **61 010** | August 2006 |
| Total | 299 016 | | | | **299 016** | |

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**Notes to Financial Statements continued**

42 Directors and executives disclosures continued

Group Incentive Scheme 2002 Performance Shares

| | Ordinary Shares under award | | | | | |
|---|---|---|---|---|---|---|
| Name | At 1 July 2004 | Granted | Vested | Lapsed | **At 30 June 2005** | Vesting date |
| P S Aiken | 158 118 | | | | 158 118 | August 2005 |
| J C Fast | 115 921 | | | | 115 921 | August 2005 |
| R W Kirkby | 110 391 | | | | 110 391 | August 2005 |
| Dr M J Kloppers | 119 485 | | | | 119 485 | August 2005 |
| C J Lynch | 117 117 | | | | 117 117 | August 2005 |
| Total | 621 032 | | | | 621 032 | |

Performance Share Plan 2001

| | BHP Billiton Limited Ordinary Shares under award | | | | | |
|---|---|---|---|---|---|---|
| Name | At 1 July 2004 | Granted | Vested | Lapsed[a] | **At 30 June 2005** | Vesting date |
| P S Aiken[b] | 131 856 | | 118 670 | 131 86 | | 1 October 2004 |
| J C Fast[d] | 107 093 | | 96 384 | 10 709 | | 1 October 2004 |
| R W Kirkby[c] | 82 330 | | 74 097 | 8 233 | | 1 October 2004 |
| C J Lynch[d] | 109 559 | | 98 603 | 10 956 | | 1 October 2004 |
| Total | 430 838 | | 387 754 | 43 084 | | |

(a) 90 per cent of the Shares vested on 1 October 2004, following the end of the performance period and the BHP Billiton Ltd market price was A$14.28. The remaining 10 per cent lapsed.

(b) The market date on the date of exercise (7 October 2004) was A$14.94. The aggregate gain was A$1 772 930.

(c) The market price on the date of exercise (6 October 2004) was A$14.70. The aggregate gain was A$1 089 226.

(d) Mr Fast and Mr Lynch have not yet exercised the 96 384 and 98 603 shares which vested on 1 October 2004.

Restricted Share Scheme (RRS) 2001

| | BHP Billiton Plc Ordinary Shares under award | | | | | |
|---|---|---|---|---|---|---|
| Name | At 1 July 2004 | Granted | Vested | Lapsed[b] | **At 30 June 2005** | Vesting date |
| Dr M J Kloppers[a] | 84 182 | | 75 764 | 8 418 | | 8 October 2004 |
| Total | 84 182 | | 75 764 | 8 418 | | |

(a) The shares were transferred to Dr M J Kloppers on vesting. The market price on the date of transfer (8 October 2004) was £6.21. The aggregate gain was £470 494.
(b) 90 per cent of the Shares vested on 1 October 2004, following the end of the performance period and the BHP Billiton Plc market price was £5.95. The remaining 10 per cent lapsed.

Performance Share Plan 2000

| | BHP Billiton Limited Ordinary Shares under award | | | | | |
|---|---|---|---|---|---|---|
| Name | At 1 July 2004 | Granted | Vested[(a)] | Lapsed | **At 30 June 2005** | Vesting date |
| C J Lynch | 43 592 | | 43 592 | | | 1 July 2004 |
| Total | 43 592 | | 43 592 | | | |

(a) 100 per cent of the Shares vested on 1 July 2004, following the end of the performance period and the BHP Billiton Limited market price was A$12.51. As at 30 June 2005, Mr Lynch had not yet exercised the 43 592 vested shares.

Performance Share Plan (Medium Term Incentive) 2001

| | BHP Billiton Limited Ordinary Shares under award | | | | | |
|---|---|---|---|---|---|---|
| Name | At 1 July 2004[(a)] | Granted | Vested | Lapsed | **At 30 June 2005** | Vesting date[(b)] |
| J C Fast | 36 155 | | | | **36 155** | 1 October 2005 |
| R W Kirkby | 22 597 | | | | **22 597** | 1 October 2005 |
| Total | 58 752 | | | | **58 752** | |

(a) Includes 10 042 and 6 277 committed rights invested by J C Fast and R W Kirkby respectively.
(b) The first performance period ceased on 30 September 2003. J C Fast and R W Kirkby did not elect to leave the MTI at the end of the first performance period and will remain in the Plan until October 2005.

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**Notes to Financial Statements continued**

42 Directors and executives disclosures continued

Co-Investment Plan (CIP) 2001

| | BHP Billiton Plc Ordinary Shares under award | | | | | |
|---|---|---|---|---|---|---|
| Name | At 1 July 2004 [a] | Granted | Vested | Lapsed | **At 30 June 2005** | Vesting date[b] |
| Dr M J Kloppers | 95295 | | | | **95295** | 1 October 2005 |

(a) Includes 26 471 committed shares invested by Dr M J Kloppers.

(b) The first performance period ceased on 30 September 2003. Dr M J Kloppers did not elect to leave the CIP at the end of the first performance period and will remain in the Plan until October 2005.

Bonus Equity Plan 2001

| | BHP Billiton Limited Ordinary Shares under award | | | | | |
|---|---|---|---|---|---|---|
| Name | At 1 July 2004 | Granted | Vested[a] | Lapsed | **At 30 June** | Release date |
| P S Aiken[b] | 77404 | | 77404 | | | November 2004 |
| C J Lynch[c] | 18692 | | 18692 | | | November 2004 |
| Total | 96096 | | 96096 | | | |

(a) In November 2001, shares were allotted to BHP Billiton Ltd employees under the Bonus Equity Plan (BEP). The shares were held by the BHP Bonus Equity Plan Trust on behalf of the participants. The minimum restriction period was three years, ending on 12 November 2004. PS Aiken and CJ Lynch instructed the trustee to transfer the shares to them on 24 November 2004 and 23 December 2004 respectively.

(b) The market price on date of transfer (24 November 2004) was A$14.98. The aggregate gain was A$1 159 512.

(c) The market price on date of transfer (23 December 2004) was A$15.42. the aggregate gain was A$288 231.

Executive Share Scheme Partly Paid Shares

| | BHP Billiton Limited Ordinary Shares under award | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| R W Kirkby | At 1 July 2004[a] | Granted | Exercised | Lapsed | **At 30 June 2005** | Unpaid amount[d] | First exercise date | Expiry date |
| ESS 1997 | 74 964 | | 74 964[b] | | | A$6.83 | n/a | 1 October 2017 |
| ESS 1996 | 107 090 | | 107 090[c] | | | A$6.94 | n/a | 2 October 2016 |
| ESS 1995 | 72 279 | | | | **72 279** | A$8.17 | n/a | 4 October 2015 |
| ESS 1994 | 108 255 | | | | **108 255** | A$8.43 | n/a | |

4 October 2014

| | | | |
|---|---|---|---|
| Total | 362 588 | 182 054 | **180 534** |

(a) Includes accrued bonus shares to be issued upon conversion of partly paid shares.
(b) The market price on the date of exercise (8 October 2004) was A$14.82. The aggregate gain was A$598 962.
(c) The market price on the date of exercise (8 October 2004) was A$14.82. The aggregate gain was A$843 869.
(d) Represents the final call payable upon conversion of partly paid shares held at 30 June 2005 adjusted for bonus issues.

No options have been granted since the end of the financial year.

Further information on options and rights, including grant dates and exercise dates regarding options granted to executives under the Employee Share Ownership Plan, is set out in note 31.

BHP Billiton Limited Financial Statements 2005

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**Notes to Financial Statements continued**

42 Directors and executives disclosures continued

***Equity holdings and transactions***

The movement during the financial year in the number of ordinary shares of the Group held directly, indirectly or beneficially, by each specified Director and specified executive, including their personally related entities is as follows:

| BHP Billiton shares[a] | Held at 1 July 2004 | Purchases | Received on exercise of options or rights [h] | Disposals | Held at 30 June 2005 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| D R Argus AO[b] | *203 495* | | | | *203 495* |
| C W Goodyear[c] | *638 807* | | *107 200* | | *746 007* |
| | 2 000 | | | | 2 000 |
| M Salamon[d] | 977 282 | | 178 347 | (73305) | 1 082324 |
| Dr D C Brink[b] | 39 377 | | | | 39 377 |
| Dr J G Buchanan | 1 000 | 3000 | | | 4 000 |
| Mr C Cordeiro | | | | | |
| M A Chaney | *12 338* | | | | *12 338* |
| D A Crawford[e] | *29 127* | | | | *29 127* |
| Dr D A Jenkins | *2 066* | | | | *2 066* |
| | 10 000 | | | | 10 000 |
| Lord Renwick of Clifton | *2 066* | | | | *2 066* |
| | 12 385 | | | | 12 385 |
| Dr J M Schubert | *23 675* | | | | *23 675* |
| **Specified Executives** | | | | | |
| P S Aiken | *356 422* | | *118 670* | | *475 092* |
| J C Fast[f] | *175 459* | | | *(172000)* | *3 459* |
| R W Kirkby[g] | *634 589* | | *256 151* | *(250000)* | *640 740* |
| Dr M J Kloppers | | | 75 764 | | 75 764 |
| C J Lynch | *80 679* | | | | *80 679* |

(a) Includes shares in BHP Billiton Plc and BHP Billiton Limited. Shares in BHP Billiton Limited shown in italics. All interests are beneficial.

(b) All shares were held by nominees.

(c) 82 604 BHP Billiton Limited shares are held in the form of 41 302 American Depositary Shares, all 2 000 BHP Billiton Plc shares are held in the form of 1 000 American Depositary Shares.

(d) At 30 June 2005, 1 060 475 shares were held by nominees

(e) At 30 June 2005, 16 000 shares were held by nominees.

(f) At 30 June 2005, 2 945 shares were held by nominees, including 929 in the form of endowment warrants.

(g) At 30 June 2005, 85 000 partly paid shares are held and during the period a further 85,000 partly paid shares were paid in full and 97,054 bonus shares were allotted. The remaining 74 097 shares were received through the exercise of Performance Rights.

(h) Excludes share awards vested but not exercised / transferred

Directors and their personally related entities receive the same dividends and bonus share entitlements as those available to other holders of the same class of shares. Partly paid shares did not participate in dividends.
Refer to note 31 for details of the Employee Share Ownership Plans referred to above.
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**Notes to Financial Statements continued**

42 Directors and executives disclosures continued

**Loans to Directors and executives**

Details of loans made to Directors of BHP Billiton Limited and the Specified Executives of the Group, including their personally-related entities, are set out below.

**Aggregates for Directors and Specified Executives**

**2005**

| Group | Balance at the start of the year US$ | Interest not charged US$ | Balance at the end of the year US$ | Number in Group at the end of the year |
|---|---|---|---|---|
| Specified Executives of the Group | 10 755 | 1 296 | 10 975 | 1 |

No Directors of BHP Billiton Limited or their personally related entities had any loans outstanding during any part of the year.

All loans to Specified Executives in relation to the BHP Billiton Limited Employee Share Plan are for periods of up to 20 years repayable by application of dividends or an equivalent amount and are interest free.

The amounts shown for interest not charged in the table above represents the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm s length basis.

**Other transactions with Directors and Specified Executives**

**Transactions with personally related entities**

A number of Directors or former Directors of BHP Billiton hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. One of those entities, Wesfarmers (Group) Limited, is considered to be a personally-related entity of M A Chaney. This company provided products and services totalling US$23.818 million (2004: US$18.698 million) to the Group in the financial year, in accordance with normal commercial terms and conditions. At 30 June 2005, the Group owed US$0.252 million.

**Other transactions with BHP Billiton Group entities**

Other transactions include:

- minor purchases of products and stores; and
- insurance with BHP Billiton Group insurance companies.

All these transactions (which were trivial in amount) were conducted on conditions no more beneficial than those available to other employees.

Following the termination of his employment on 1 July 2002, P Anderson (former Chief Executive Officer) entered into a consultancy arrangement with the BHP Billiton Group under which he agreed to act as a consultant to the Group for two years commencing at the time he ceased to be a Director. Mr Anderson received a total fee of US$36 667 (2004: US$71 334) under this arrangement.

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**Notes to Financial Statements continued**
**43 Major interests in joint venture operations**

| Name | Country of operation | Principal activity | BHP Billiton Group's effective interest **2005** **%** | 2004 % |
|---|---|---|---|---|
| Atlantis | US | Hydrocarbons exploration | 44 | 44 |
| Bass Strait | Australia | Hydrocarbons exploration and production | 50 | 50 |
| Boris | US | Hydrocarbons exploration and production | 50 | 50 |
| Bruce | UK | Hydrocarbons exploration and production | 16 | 16 |
| Cascade | US | Hydrocarbons exploration | 50 | 50 |
| Chinook | US | Hydrocarbons exploration | 40 | 40 |
| Griffin | Australia | Hydrocarbons exploration and production | 45 | 45 |
| Gulf of Mexico | US | Hydrocarbons exploration and production | 5-100 | 5-100 |
| Keith | UK | Hydrocarbons exploration and production | 31.83 | 31.83 |
| Laminaria | Australia | Hydrocarbons exploration and production | | 25-33 |
| Liverpool Bay | UK | Hydrocarbons exploration and production | 46.1 | 46.1 |
| Mad Dog | US | Hydrocarbons exploration and production | 23.9 | 23.9 |
| Minerva | Australia | Hydrocarbons exploration and production | 90 | 90 |
| Neptune | US | Hydrocarbons exploration | 35 | 35 |
| North West Shelf | Australia | Hydrocarbons exploration and production | 8-17 | 8-17 |
| Ohanet | Algeria | Hydrocarbons exploration and production | 45 | 45 |
| Puma | US | Hydrocarbons exploration | 33.3 | 33.3 |
| ROD Integrated Development | Algeria | Hydrocarbons exploration and production | 45 | 36.04 |
| Shenzi | US | Hydrocarbons exploration | 44 | 44 |
| Trinidad 2c Angostura | Trinidad & Tobago | Hydrocarbons production | 45 | 45 |
| Typhoon | US | Hydrocarbons exploration and production | 50 | 50 |
| Zamzama | Pakistan | Hydrocarbons exploration and production | 38.5 | 38.5 |
| Alumar | Brazil | Alumina refining | 36 | 36 |
| | | Aluminium smelting | 46.3 | 46.3 |
| Billiton Suriname | Suriname | | 45 | 45 |

| | | | | |
|---|---|---|---|---|
| | | Bauxite mining and alumina refining | | |
| Mozal | Mozambique | Aluminium smelting | 47.1 | 47.1 |
| Valesul Aluminio | Brazil | Aluminium smelting | 45.5 | 45.5 |
| | | Bauxite mining and alumina | | |
| Worsley | Australia | refining | 86 | 86 |
| Escondida | Chile | Copper mining | 57.5 | 57.5 |
| Central Queensland Coal | | | | |
| Associates | Australia | Coal mining | 50 | 50 |
| Gregory | Australia | Coal mining | 50 | 50 |
| Mt Goldsworthy Mining | | | | |
| Associates | Australia | Iron ore mining | 85 | 85 |
| Mt Newman | Australia | Iron ore mining | 85 | 85 |
| Yandi | Australia | Iron ore mining | 85 | 85 |
| EKATI | Canada | Diamond mining | 80 | 80 |
| Douglas Colliery | South Africa | Coal mining | 84 | 84 |
| Middelburg Mine | South Africa | Coal mining | 84 | 84 |
| Richards Bay Coal Terminal | South Africa | Coal exporting | 37 | 37 |

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**Notes to Financial Statements continued**
**44 Elements relating to all joint venture operations**

| | **2005 US$M** | 2004 US$M |
|---|---|---|
| **Current assets** | | |
| Cash assets | **227** | 213 |
| Receivables | **839** | 634 |
| Inventories | **820** | 581 |
| Other | **42** | 50 |
| **Non-current assets** | | |
| Receivables | **47** | 42 |
| Other financial assets | **27** | 26 |
| Inventories | **41** | 49 |
| Property, plant and equipment | **13 484** | 12 119 |
| Other | **319** | 310 |
| BHP Billiton Group share of assets employed in joint venture operations | **15 846** | 14 024 |
| Contingent liabilities unsecured[a] | **49** | 10 |
| Contracts for capital expenditure commitments not completed [b] | **1 230** | 1 152 |

(a) Included in contingent liabilities arising from joint venture operations. Refer note 39.
(b) Included in capital expenditure commitments. Refer note 40.

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**Notes to Financial Statements continued**

**45 Major controlled entities**

The principal controlled entities (those which principally affect the profit or net assets) of BHP Billiton Limited and BHP Billiton Plc are as follows:

| Name | Country of incorporation | Principal activity | BHP Billiton Group s effective interest **2005 %** | 2004 % |
|---|---|---|---|---|
| BHP Billiton Diamonds Inc | Canada | Diamond mining | 100 | 100 |
| BHP Billiton Finance BV | Netherlands | Finance | 100 | 100 |
| BHP Billiton Finance Ltd | Australia | Finance | 100 | 100 |
| BHP Billiton Finance (USA) Ltd [(a)] | Australia | Finance | 100 | 100 |
| BHP Billiton Group Operations Pty Ltd | Australia | Administrative services | 100 | 100 |
| BHP Billiton Marine and General Insurances Pty Ltd | Australia | Insurance company | 100 | 100 |
| BHP Billiton Marketing AG | Switzerland | Marketing and trading | 100 | 100 |
| BHP Billiton Marketing Inc | US | Marketing and trading | 100 | 100 |
| BHP Billiton Metais SA | Brazil | Alumina refining and aluminium smelting | 100 | 100 |
| BHP Billiton Minerals Pty Ltd | Australia | Iron ore mining, silver, lead and zinc mining | 100 | 100 |
| BHP Billiton Petroleum (Americas) Inc | US | Hydrocarbons exploration and production | 100 | 100 |
| BHP Billiton Petroleum (Australia) Pty Ltd | Australia | Hydrocarbons production | 100 | 100 |
| BHP Billiton Petroleum (Bass Strait) Pty Ltd | Australia | Hydrocarbons production | 100 | 100 |
| BHP Billiton Petroleum (Deepwater) Inc | US | Hydrocarbons exploration development and production | 100 | 100 |
| BHP Billiton Petroleum (GOM) Inc | US | Hydrocarbons exploration | 100 | 100 |
| BHP Billiton Petroleum (North West Shelf) Pty Ltd | Australia | Hydrocarbons production | 100 | 100 |
| BHP Billiton Petroleum Great Britain Ltd | UK | Hydrocarbons production | 100 | 100 |
| BHP Billiton Petroleum (International Exploration) Pty Ltd | Australia | Hydrocarbons development and production | 100 | 100 |
| BHP Billiton Petroleum (Victoria) Pty Ltd | Australia | Hydrocarbons development | 100 | 100 |
| BHP Billiton SA Limited | South Africa | Holding and service company | 100 | 100 |
| BHP Billiton Tintaya SA | Peru | Copper mining | 99.95 | 99.95 |
| BHP Billiton (Trinidad - 2c) Ltd | Canada | Hydrocarbons development | 100 | 100 |
| BHP Billiton World Exploration Inc | Canada | Exploration | 100 | 100 |
| BHP Canadian Diamonds Company | Canada | Diamond mining | 100 | 100 |
| BHP Coal Pty Ltd | Australia | Holding company and coal mining | 100 | 100 |
| BHP Copper Inc | US | Holding company and copper mining | 100 | 100 |
| BHP Financial Services (UK) Ltd | Guernsey | Finance | 100 | 100 |

| | | | | |
|---|---|---|---|---|
| BHP Minerals Exploration Inc | US | Holding company | 100 | 100 |
| BHP Mitsui Coal Pty Ltd | Australia | Holding company and coal mining | 80 | 80 |
| BHP Navajo Coal Company | US | Coal mining | 100 | 100 |
| BHP Operations Inc | US | Finance | 100 | 100 |
| BHP Petroleum (Pakistan) Pty Ltd | Australia | Hydrocarbons production | 100 | 100 |
| BHP Queensland Coal Investments Pty Ltd | Australia | Holding company and coal mining | 100 | 100 |
| BHP Billiton Freight Pty Ltd | Australia | Transport services | 100 | 100 |
| Billiton Aluminium Australia Pty Ltd | Australia | Bauxite mining and alumina refining | 100 | 100 |
| Billiton Aluminium SA Limited | South Africa | Aluminium smelting | 100 | 100 |
| Billiton Coal Australia Pty Ltd | Australia | Coal mining | 100 | 100 |
| Billiton Marketing Holding BV | Netherlands | Marketing and trading | 100 | 100 |
| Broken Hill Proprietary (USA) Inc | US | Service company | 100 | 100 |
| Cerro Matoso SA | Colombia | Nickel mining and ferro-nickel smelting | 99.8 | 99.8 |
| Compania Minera Cerro Colorado Limitada | Chile | Copper mining | 100 | 100 |
| Compania Minera Riochilex SA | Chile | Copper exploration | 100 | 100 |
| Dendrobium Coal Pty Ltd | Australia | Coal mining | 100 | 100 |
| Dia Met Minerals Ltd | Canada | Diamond mining | 100 | 100 |
| Endeavour Coal Pty Ltd | Australia | Coal mining | 100 | 100 |
| Groote Eylandt Mining Co Pty Ltd | Australia | Manganese mining | 60 | 60 |
| Illawarra Coal Holdings Pty Ltd | Australia | Coal mining | 100 | 100 |
| Ingwe Collieries Limited | South Africa | Coal mining | 100 | 100 |
| QNI Pty Ltd | Australia | Holding company | 100 | 100 |
| QNI Metals Pty Ltd | Australia | Nickel refining | 100 | 100 |
| QNI Resources Pty Ltd | Australia | Nickel refining | 100 | 100 |
| Rio Algom Ltd | Canada | Holding Company | 100 | 100 |

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**Notes to Financial Statements continued**
**45 Major controlled entities**

| Name | Country of incorporation | Principal activity | BHP Billiton Group s effective interest **2005** **%** | 2004 % |
|---|---|---|---|---|
| Samancor AG | Switzerland | Marketing | **60** | 60 |
| Samancor Holdings Limited | South Africa | Holding company | **60** | |
| Samancor Limited | South Africa | Manganese mining | **60** | 60 |
| San Juan Coal Company | US | Coal mining | **100** | 100 |
| San Juan Transportation Company | US | Coal transportation | **100** | 100 |
| Southern Cross Fertiliser Pty Ltd (formerly WMC Fertilizers Pty Ltd) | Australia | Fertiliser production | **100** | |
| Tasmanian Electro Metallurgical Co Pty Ltd | Australia | Manganese alloys | **60** | 60 |
| WMC (Olympic Dam Corporation) Pty Ltd | Australia | Copper and uranium mining | **100** | |
| WMC Finance Ltd | Australia | Finance | **100** | |
| WMC Finance (USA) Ltd | Australia | Finance | **100** | |
| WMC Resources Ltd | Australia | Nickel mining, smelting and refining and administrative services | **100** | |
| WMC Resources Marketing Ltd | Canada | Marketing | **100** | |

(a) BHP Billiton Finance (USA) Ltd is 100 per cent owned by BHP Billiton Limited. BHP Billiton Limited and BHP Billiton Plc have each fully and unconditionally guaranteed BHP Billiton Finance (USA) Ltd s debt securities.

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**Notes to Financial Statements continued**

**46 Non-Director related parties**

Related party transactions and balances included throughout the financial statements are as follows:

| | **2005** **US$M** | 2004 US$M |
|---|---|---|
| Interest received or due and receivable from related parties | | |
| Associated entities [(a)] | **11.889** | 12.859 |
| Dividends received or due and receivable from related parties | | |
| Associated entities [(a)] | **291.053** | 237.559 |
| Current trade receivables due from related parties | | |
| Associated entities [(a)] | **1.337** | 0.122 |
| Current sundry receivables due from related parties | | |
| Associated entities [(a)] | | 1.379 |
| Directors of controlled entities [(b)] | **0.031** | 0.034 |
| | **0.031** | 1.413 |
| Non-current sundry receivables due from related parties | | |
| Associated entities [(a)] | **84.792** | 238.443 |
| Directors of controlled entities [(b)] | **1.410** | 1.515 |
| | **86.202** | 239.958 |
| Current trade creditors due from related parties | | |
| Associated entities [(a)] | **45.563** | 4.821 |
| Current sundry creditors due to related parties | | |
| Associated entities [(a)] | **13.175** | 10.505 |
| Current interest bearing liabilities due to related parties | | |
| Associated entities [(a)] | **22.776** | 148.763 |
| Non-current sundry creditors due to related parties | | |
| Associated entities [(a)] | **3.201** | 4.138 |

(a) Associated entities includes all joint venture and associated entities.

(b) Current and non-current sundry receivables due from Directors of controlled entities represent the appropriate portion of loans to Directors engaged in full-time employment within the BHP Billiton Group, mainly for acquisition of shares in BHP Billiton Limited.

**Investments in joint venture and associated entities are shown in note 18.**
**Directors remuneration is shown in note 42.**
**Major interests in joint venture operations are shown in note 43.**
**Details of major controlled entities are shown in note 45.**

**Transactions with associated entities**

The following transactions with related parties of the BHP Billiton Group occurred during the year ended 30 June 2005. It is the Group s policy that these transactions are conducted in the normal course of business and under normal commercial terms and conditions:

sales of services to Australian LNG Shipping amounting to US$nil (2004: US$6.022 million);

sales of services to Samarco amounting to US$nil (2004: US$4.564 million);

sales of services to Advalloy amounting to US$1.583 million (2004: US$1.528 million); and

sales of services to BM Alliance Coal Operations amounting to US$58.497 million (2004: nil)

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**Notes to Financial Statements continued**

**47 Statement of Financial Position Australian dollars**

For the convenience of the reader, an Australian dollar Statement of Financial Position of the BHP Billiton Group is detailed below. A convenience translation of amounts from US dollars into Australian dollars has been made at exchange rates of US$0.7633= A$1 at 30 June 2005 and US$0.6897 = A$1 at 30 June 2004. The exchange rates are based on the market foreign exchange rates sourced from Reuters at 12.00pm (AEST) on the last day of the financial period.

| | **2005** **A$M** | 2004 A$M |
|---|---|---|
| **Current assets** | | |
| Cash assets | **1 858** | 2 636 |
| Receivables | **4 572** | 4 028 |
| Other financial assets | **278** | 242 |
| Inventories | **3 330** | 2 487 |
| Other assets | **210** | 255 |
| **Total current assets** | **10 248** | 9 648 |
| **Non-current assets** | | |
| Receivables | **811** | 1 085 |
| Investments accounted for using the equity method | **1 998** | 1 985 |
| Other financial assets | **127** | 178 |
| Inventories | **135** | 65 |
| Property, plant and equipment | **39 758** | 30 368 |
| Intangible assets | **672** | 612 |
| Deferred tax assets | **865** | 728 |
| Other assets | **555** | 538 |
| **Total non-current assets** | **44 921** | 35 559 |
| **Total assets** | **55 169** | 45 207 |
| **Current liabilities** | | |
| Payables | **5 360** | 3 755 |
| Interest bearing liabilities | **1 965** | 1 928 |
| Tax liabilities | **1 103** | 431 |
| Other provisions and liabilities | **1 606** | 1 174 |
| **Total current liabilities** | **10 034** | 7 288 |
| **Non-current liabilities** | | |
| Payables | **212** | 257 |
| Interest bearing liabilities | **12 611** | 7 906 |
| Deferred tax liabilities | **1 727** | 1 527 |
| Other provisions and liabilities | **6 526** | 5 864 |
| **Total non-current liabilities** | **21 076** | 15 554 |

| | | |
|---|---|---|
| **Total liabilities** | **31 110** | 22 842 |
| **Net assets** | **24 059** | 22 365 |
| Contributed equity BHP Billiton Limited | **2 111** | 2 684 |
| Called up share capital Billiton Plc | **2 295** | 2 540 |
| Reserves | **836** | 793 |
| Retained profits | **18 370** | 15 845 |
| **Total BHP Billiton interest** | **23 612** | 21 862 |
| Outside equity interest | **447** | 503 |
| **Total equity** | **24 059** | 22 365 |

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**Notes to Financial Statements continued**

**48 BHP Billiton Limited (single parent entity financial statements)**

Set out below are the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows of the BHP Billiton Limited single parent entity expressed in Australian dollars.

The full single parent entity financial statements of BHP Billiton Limited are available on the Company s website (www.bhpbilliton.com) and are available to shareholders on request free of charge.

**Statement of Financial Performance for the year ended 30 June 2005**

| | BHP Billiton Limited | |
|---|---|---|
| | **2005** | 2004 |
| | **A$M** | A$M |
| **Revenue from ordinary activities** | | |
| Non-operating revenue | **5 932** | 9 940 |
| | **5 932** | 9 940 |
| *deduct* | | |
| Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs | **438** | 385 |
| | **5 494** | 9 555 |
| *deduct* | | |
| Depreciation and amortisation | **1** | 1 |
| Borrowing costs | **673** | 807 |
| Profit from ordinary activities before income tax | **4 820** | 8 747 |
| *deduct* | | |
| Income tax expense attributable to ordinary activities | **125** | 22 |
| **Net profit attributable to members of BHP Billiton Limited** | **4 695** | 8 725 |
| **Total changes in equity other than those resulting from transactions with owners** | **4 695** | 8 725 |

**Statement of Financial Position as at 30 June 2005**

| | BHP Billiton Limited | |
|---|---|---|
| | **2005** | 2004 |
| | **A$M** | A$M |
| **Current assets** | | |
| Receivables [(a)] | **31 269** | 28 446 |
| Other assets | **4** | 3 |
| **Total current assets** | **31 273** | 28 449 |
| **Non-current assets** | | |

| | | | |
|---|---|---|---|
| Receivables [a] | | **5 240** | 5 614 |
| Other financial assets | | **22 305** | 22 305 |
| Property, plant and equipment | | **1** | 2 |
| Deferred tax assets | | **163** | 369 |
| Other assets | | **1** | 1 |
| **Total non-current assets** | | **27 710** | 28 291 |
| **Total assets** | | **58 983** | 56 740 |
| **Current liabilities** | | | |
| Payables[a] | | **31 012** | 30 149 |
| Interest bearing liabilities | | **1** | 1 |
| Tax liabilities | | **493** | 20 |
| Other provisions | | **144** | 80 |
| **Total current liabilities** | | **31 650** | 30 250 |
| **Non-current liabilities** | | | |
| Payables | | **87** | 325 |
| Interest bearing liabilities [a] | | **5 696** | 5 971 |
| Deferred tax liabilities | | **827** | 851 |
| Other provisions | | **83** | 128 |
| **Total non-current liabilities** | | **6 693** | 7 275 |
| **Total liabilities** | | **38 343** | 37 525 |
| **Net assets** | | **20 640** | 19 215 |
| Contributed equity | BHP Billiton Limited | **3 030** | 3 335 |
| Reserves | | **950** | 877 |
| Retained profits | | **16 660** | 15 003 |
| **Total equity** | | **20 640** | 19 215 |

(a) The majority of these balances represent amounts which are receivable from and payable to controlled entities within the Group. The Company has control of payment of these amounts and will manage them to ensure that at all times it has sufficient funds available to meet its commitments.

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**Notes to Financial Statements continued**
48 BHP Billiton Limited (single parent entity financial statements) continued
**Statement of Cash Flows for the year ended 30 June 2005**

| | BHP Billiton Limited | |
|---|---|---|
| | **2005** | 2004 |
| | **A$M** | A$M |
| **Cash flows related to operating activities** | | |
| Receipts from customers | **186** | 135 |
| Payments in the course of operations | **(272)** | (183) |
| Dividends received | **4 244** | 8 469 |
| Interest received | **1 502** | 1 328 |
| Borrowing costs | **(673)** | (807) |
| Operating cash flows before income tax | **4 987** | 8 942 |
| Income taxes paid | **(578)** | (103) |
| **Net operating cash flows** | **4 409** | 8 839 |
| **Cash flows related to investing activities** | | |
| Investments in controlled entities | | (18) |
| Investing outflows | | (18) |
| Proceeds from sale of property, plant and equipment | | 3 |
| **Net investing cash flows** | | (15) |
| **Cash flows related to financing activities** | | |
| Proceeds from ordinary share issues | **88** | 102 |
| Share repurchase scheme | **(2 279)** | |
| Payment to ESOP trust for purchase of shares | **(59)** | (41) |
| Loans to Group companies | **(2 602)** | (8 252) |
| Repayments of loans from Group companies | **1 556** | 662 |
| Dividends paid | **(1 113)** | (1 296) |
| **Net financing cash flows** | **(4 409)** | (8 825) |
| **Net decrease in cash and cash equivalents** | | (1) |
| Cash and cash equivalents at beginning of period | **(1)** | |
| **Cash and cash equivalents at end of period** | **(1)** | (1) |

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**Notes to Financial Statements continued**

**49 Impact of Adopting International Financial Reporting Standards**

For reporting periods beginning on or after 1 January 2005, the BHP Billiton Group must comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The BHP Billiton Group s DLC structure results in two parent entities with their own statutory reporting obligations, one in Australia and the other in the UK. While Australia and the UK are transitioning to IFRS-based financial reporting regimes in the same timeframe, the DLC structure creates unique IFRS implementation issues, including:

(i) in the UK, listed groups are required to comply with IFRS as endorsed by the European Commission (EC); there is a risk that IFRS as endorsed by the EC at 30 June 2006 may not be consistent with IFRS applicable in Australia;

(ii) the Australian Accounting Standards Board has approved IFRS-based standards some of which mandate particular policies that are optional (and not applied uniformly by other entities) in the UK; and

(iii) continued development and interpretation of IFRS prior to 30 June 2006 that could affect the ultimate difference between current reporting frameworks and IFRS applicable in each jurisdiction.

Accordingly, significant uncertainty remains as to the ultimate impact of IFRS on the BHP Billiton Group s financial statements.

**Management of IFRS implementation**

The Group has established a formal project, monitored by a steering committee, to manage the transition to IFRS reporting. Regular updates are also provided to the Board Risk and Audit Committee. The implementation and review phases of the project are in progress and include substantial training programmes across the Group s finance staff, execution of changes to information systems and business processes and completing formal authorisation processes to approve recommended accounting policy changes. The project will culminate in the collection of financial information necessary to prepare IFRS-compliant financial statements, embedding of IFRS principles in business processes, elimination of any unnecessary data collection processes and Board approval of the transitional IFRS financial impact. Implementation also involves delivery of further training to staff as revised systems begin to take effect.

**Development and interpretation of IFRS**

The regulatory bodies that promulgate IFRS and its country-specific implementations have significant ongoing projects that could affect the ultimate differences between Australian GAAP and IFRS and their impact on the BHP Billiton Group s financial statements. Significant judgement and interpretation have been required in estimating the IFRS impacts presented below. Two particular matters that may ultimately affect the BHP Billiton Group s IFRS impacts relate to income tax accounting:

The scope of application of income tax accounting required by AASB 112 Income Taxes remains unclear. The BHP Billiton Group is subject to a wide variety of government imposed production taxes, royalties and other imposts, in addition to regular income tax on profits. Under Australian GAAP, income tax expense and the corresponding income tax assets and liabilities relate only to regular income taxes on profits. All other forms of taxation, such as petroleum resource taxes, production royalties and other secondary taxes are accounted for as operating costs or reductions in revenue as appropriate. The amounts of such taxes are determined using accounting policies appropriate to the nature of each arrangement. The BHP Billiton Group has sought guidance from the International Financial Reporting Interpretations Committee (IFRIC) on this matter, in light of a variety of diverse interpretations applied by other entities. No guidance has been forthcoming at this time. The IFRS impacts presented below do not take account of any changes in the measurement or presentation of such taxes, royalties and similar arrangements that might ultimately be required.

AASB 112 requires deferred tax liabilities to be measured based on the difference between the carrying amount of assets and liabilities in the financial statements (their book base ) and their equivalent carrying amounts viewed from a taxation perspective (their tax base ). Different interpretations have been made as to those items eligible for inclusion in the tax base. In particular, there are divergent views as to whether the tax-deductible amount of an asset such as mineral rights, which is only available for capital gains tax purposes, is relevant in measuring the tax base of an asset that is not expected to generate capital gains income. BHP Billiton has excluded such amounts in the calculation of tax base and has consequently recognised deferred tax liabilities for assets that are not depreciable for

tax purposes and not expected to generate revenue on their ultimate disposal. This area is one of many under consideration by the International Accounting Standards Board but its resolution remains unclear.

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**Notes to Financial Statements continued**

49 Impact of Adopting International Financial Reporting Standards continued

**Elections made on implementing IFRS**

The rules for first time adoption of IFRS are set out in AASB 1 First Time Adoption of International Financial Reporting Standards . That standard in general requires accounting policies to be applied retrospectively in order to determine an opening balance sheet as at the BHP Billiton Group s IFRS transition date of 1 July 2004, and allows certain exemptions on the transition to IFRS which the BHP Billiton Group has elected to apply. Those elections considered significant to the BHP Billiton Group include decisions to:

- not restate previous mergers or acquisitions and the accounting thereof;
- measure property, plant and equipment at deemed cost, being the value of property, plant and equipment immediately prior to the date of transition, with no adjustment made to fair value;
- not apply the requirements of AASB 2 Share-based Payment to equity instruments granted before 7 November 2002;
- recognise the cumulative effect of actuarial gains and losses on employee benefits to retained earnings as at the transition date; and
- transfer all foreign currency translation differences, currently held in reserves, to retained earnings at the transition date.

In addition, BHP Billiton has applied the exemption available under AASB 1 whereby AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement shall apply from 1 July 2005 and not for the year ended 30 June 2005. Accordingly, transitional adjustments in respect of AASB 132 and AASB 139 will be recorded against retained profits and reserves, as applicable, at 1 July 2005. The IFRS impacts presented in this note do not include any amounts attributable to AASB 132 and AASB 139.

AASB 132 is not expected to change the classification of financial instruments issued by the BHP Billiton Group.

AASB 139 will result in certain financial assets being measured at fair value. Changes in fair value will be recognised through profit and loss or directly in equity depending on their classification. Investments in non-traded securities will be classified as available for sale and changes in fair value recognised directly in equity until the underlying asset is derecognised. Investments in traded securities will be classified as held for trading and changes in fair value recognised in the income statement. Loans, receivables and financial liability measurement and classification will remain substantially unchanged.

Under AASB 139, foreign exchange contracts held for hedging purposes will be accounted for as cash flow hedges. Interest rate swaps held for hedging purposes will be accounted for as cash flow or fair value hedges. Cash flow hedging causes the effective portion of hedge gains and losses to be recognised directly in equity until the hedged item occurs, at which time the hedge gain or loss is included in the measurement of the hedged item. Fair value interest rate hedging will result in the recognition on balance sheet of changes in fair value of applicable borrowings and the corresponding hedge. The application of hedge accounting for foreign exchange and interest rate contracts will impact future reported financial performance under IFRS to the extent that ineffectiveness arises, however the expected extent of ineffectiveness is not significant.

The Group s commodity based transactions executed through derivative contracts will not qualify for hedge accounting under AASB 139. All such contracts will be measured at fair value and changes in fair value recognised directly in income. Certain other derivative instruments embedded within host contracts will also be measured at fair value with changes in fair value recognised directly in income.

The impact of AASB 132 and AASB 139 on the financial performance and financial position of the BHP Billiton Group in 2006 and subsequent financial years cannot be estimated as it depends on the quantity and type of financial instruments held and future movements in market prices.

BHP Billiton has also elected to adopt early AASB 6 Exploration For And Evaluation Of Mineral Resources . This enables existing accounting policies as described in the Accounting Policies section of the financial statements to apply under IFRS and for the provisions of AASB 6 to be effective from 1 July 2004.

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**Notes to Financial Statements continued**

49 Impact of Adopting International Financial Reporting Standards continued

**Key differences in accounting policies**

These financial statements have been prepared in accordance with Australian Accounting Standards and other Australian financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Group s financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

This note only provides a summary of key implications of the conversion to IFRS as currently issued, as well as their estimated impact on net equity, profit before tax and income tax expense. The estimated overall effect of IFRS is also presented by way of a consolidated statement of financial performance, consolidated statement of financial position and consolidated statement of cash flow in IFRS format. Further disclosures and explanations will be included in the Group s IFRS financial reports for the half-year ending 31 December 2005 and the year ending 30 June 2006.

*Deferred tax (AASB 112 Income Taxes )*

On transition to IFRS the balance sheet liability method of tax-effect accounting is adopted, rather than the income statement liability method applied under Australian GAAP. This balance sheet method recognises deferred tax assets and liabilities on temporary differences between the accounting and tax values of balance sheet items, rather than accounting and tax values of items recognised in the profit and loss account. This approach gives rise to a wider range of deferred tax assets and liabilities and an increase in the volatility of deferred tax balances brought about by foreign exchange rate movements. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity. The following temporary differences will not give rise to deferred tax balances:

goodwill;

differences that exist on the initial recognition of assets and liabilities that are not acquired in a business combination or that affect neither accounting or taxable profit on initial recognition; and

differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability using tax rates enacted or substantively enacted at reporting date. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

*Equity based compensation (AASB 2 Share-based Payment )*

The cost of employee compensation provided in the form of equity-based compensation (including shares and options) is measured based on the fair value of those instruments rather than their intrinsic value as recognised under current BHP Billiton Group policy, and accrued over the period of employee service. Under IFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options. The fair value of options granted will be measured, taking into account the terms and conditions attached to the options. The amount recognised as an expense in the income statement will be adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions. This changes the total amount of compensation cost and the pattern of cost recognition.

*Post-retirement and medical benefits (AASB 119 Employee Benefits )*

Under IFRS, defined benefit pension plan and medical benefit plan arrangements result in the recognition of net assets or liabilities directly based on the underlying obligations and assets of those plans. The recognised net asset or liability is subject to changes in value that are more volatile than changes in assets and liabilities currently recognised under existing BHP Billiton Group policy. The net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits employees have earned in return for their past service. That

benefit is discounted to determine its present value, and the fair value of any plan assets is deducted in deriving the net asset or liability. When the employee entitlements under a plan are improved, the proportion of the increased benefit relating to past service is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement. Actuarial gains and losses that arise subsequent to transition date are recognised directly in retained earnings and reduce the volatility that would otherwise have been recorded through the income statement. Under AASB 119 the principles under which regular charges are recognised in the income statement for post-retirement and medical plans are substantially different to those of existing BHP Billiton policy, but are similar to the disclosures in accordance with FRS 17 (refer note 41).

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**Notes to Financial Statements continued**

49 Impact of Adopting International Financial Reporting Standards continued

*Joint ventures (AASB 131 Interests in Joint Ventures )*

Under IFRS as implemented in Australia, all joint ventures that are constituted as a legal entity (referred to under IFRS as Jointly controlled entities ) are accounted for using the equity method. Under Australian GAAP, the BHP Billiton Group s interests in the Escondida, Mozal and Valesul joint ventures are accounted for by proportional consolidation. As each of these joint ventures operates through an incorporated entity, IFRS classifies them as jointly controlled entities and the Australian version of IFRS mandates the use of the equity method of accounting, notwithstanding that in substance none of the entities operate as independent business entities. The change to single-line equity accounting for jointly controlled entities does not impact net profit or net equity, however, as demonstrated in the tables below, the amounts of profit before tax and income tax expense are significantly affected. In addition, cash flows attributable to joint ventures that were previously proportionally consolidated are no longer included.

*Goodwill and business combinations (AASB 3 Business Combinations )*

IFRS prohibits the amortisation of goodwill which is mandated under Australian GAAP. In place of amortisation, impairment assessments of goodwill must be performed.

Business combinations undertaken after the date of transition to IFRS (1 July 2004) must be accounted for in accordance with IFRS. The acquisition of WMC Resources Ltd was effective 3 June 2005. Differences in accounting for the acquisition exist between Australian GAAP and IFRS with respect to the recognition of deferred tax liabilities on book base and tax base temporary differences, and the recognition of tax losses which meet the probable criteria under AASB 112.

The following table presents a summary of the estimated impact of IFRS on net equity as at 30 June 2005 and 30 June 2004.

**Reconciliation of net equity**

| | **As at 30 June 2005 US$M** | As at 30 June 2004 US$M |
|---|---|---|
| Net equity as previously reported under Australian GAAP | **18 364** | 15 425 |
| AASB 119 Post-retirement pension obligations pre tax | **(650)** | (526) |
| AASB 119 Post-retirement pension obligations deferred tax effect | **158** | 135 |
| AASB 119 Post-retirement medical schemes pre tax | **(111)** | (76) |
| AASB 119 Post-retirement medical schemes deferred tax effect | **30** | 21 |
| AASB 112 Deferred income tax accounting | **(538)** | (817) |
| AASB 3 Amortisation of goodwill | **44** | |
| AASB 2 Equity based compensation payments to employees tax effect | **16** | 2 |
| Additional goodwill included in net book value of disposed Chrome operations | **(3)** | |
| **Net equity in accordance with IFRS** | **17 310** | 14 164 |
| **Overall net decrease in equity under IFRS** | **(1 054)** | (1 261) |

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**Notes to Financial Statements continued**

49 Impact of Adopting International Financial Reporting Standards continued

The following tables present a summary of the estimated impact of IFRS as noted above on profit before tax and income tax expense for the year ended 30 June 2005.

**Reconciliation of profit before tax**

| | Year ended 30 June 2005 US$M |
|---|---|
| Net profit before tax as previously reported under Australian GAAP | **8 481** |
| AASB 119 Post-retirement medical and pension obligations | **(8)** |
| AASB 112 Deferred tax effects within jointly controlled entities | **(6)** |
| AASB 3 Reversal of amortisation of goodwill under Australian GAAP | **44** |
| AASB 2 Equity based compensation payments to employees | **56** |
| AASB 131 Reclassification of joint venture tax expense to profit before tax jointly controlled entities | **(230)** |
| Additional goodwill included in the net book value of disposed Chrome operations | **(3)** |
| AASB 112 Deferred tax on disposed Chrome operations | **3** |
| **Net profit before tax in accordance with IFRS** | **8 337** |
| **Overall net decrease in profit before tax under IFRS** | **(144)** |

**Reconciliation of income tax expense**

| | Year ended 30 June 2005 US$M |
|---|---|
| Income tax expense previously reported under Australian GAAP | **2 240** |
| AASB 112 Recognition of prior year tax | **(350)** |
| AASB 112 Withholding and repatriation taxes | **10** |
| AASB 112 Additional foreign exchange variations | **89** |
| AASB 112 Non-tax depreciable items now tax-effected | **(56)** |
| AASB 112 Tax base resets under Australian tax consolidations | **6** |
| AASB 2 Equity based compensation payments to employees | **12** |
| AASB 131 Reclassification of joint venture tax expense to profit before tax jointly controlled entities | **(230)** |
| AASB 119 Tax impact of additional post-retirement medical and pension benefits charged | **(3)** |
| Other | **18** |
| **Income tax expense in accordance with IFRS** | **1 736** |
| **Overall net decrease in income tax expense under IFRS** | **(504)** |

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**Notes to Financial Statements continued**

49 Impact of Adopting International Financial Reporting Standards continued

The following tables present the consolidated income statement, consolidated balance sheet and consolidated cash flow statement of the BHP Billiton Group for the year ended 30 June 2005, prepared in accordance with IFRS and applying the estimated Australian GAAP to IFRS adjustments.

**Consolidated Income Statement**

| | Year ended 30 June 2005 US$M |
|---|---|
| **Revenue (including share of joint ventures)** | |
| Group production | **24 450** |
| Third party products | **6 670** |
| | **31 120** |
| Less: Share of joint ventures revenue included above | **(4 428)** |
| **Group revenue** | **26 692** |
| Other income | **757** |
| Expenses excluding finance costs | **(20 568)** |
| Income from jointly controlled entities | **1 787** |
| **Profit from operations** | **8 668** |
| Comprising: | |
| Group production | **8 554** |
| Third party products | **114** |
| | **8 668** |
| Net finance costs | **(331)** |
| **Profit before taxation** | **8 337** |
| Taxation | **(1 736)** |
| **Profit after taxation** | **6 601** |
| Profit attributable to minority interests | **(232)** |
| **Profit attributable to members of BHP Billiton Group** | **6 369** |
| Earnings per ordinary share (basic) (US cents) | **104.0** |
| Earnings per ordinary share (diluted) (US cents) | **103.5** |
| Dividend per ordinary share (US cents) | **28.0** |

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**Notes to Financial Statements continued**

49 Impact of Adopting International Financial Reporting Standards continued

**Consolidated Balance Sheet**

| | **30 June 2005 US$M** | 30 June 2004 US$M |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | **1 222** | 1 642 |
| Trade and other receivables | **3 216** | 2 585 |
| Other financial assets | **45** | 14 |
| Inventories | **2 399** | 1 590 |
| Other | **150** | 163 |
| **Total current assets** | **7 032** | 5 994 |
| **Non-current assets** | | |
| Trade and other receivables | **849** | 994 |
| Other financial assets | **255** | 267 |
| Inventories | **71** | 15 |
| Investments in jointly controlled entities | **3 264** | 2 593 |
| Property, plant and equipment | **27 444** | 18 276 |
| Intangible assets | **2 015** | 483 |
| Deferred tax assets | **1 906** | 1 160 |
| Other | **96** | 65 |
| **Total non-current assets** | **35 900** | 23 853 |
| **Total assets** | **42 932** | 29 847 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | **3 996** | 2 481 |
| Interest bearing liabilities | **1 298** | 1 013 |
| Current tax payable | **783** | 230 |
| Provisions | **1 088** | 642 |
| Deferred income | **120** | 156 |
| **Total current liabilities** | **7 285** | 4 522 |
| **Non-current liabilities** | | |
| Trade and other payables | **156** | 171 |
| Interest bearing liabilities | **8 649** | 4 437 |
| Deferred tax liabilities | **4 192** | 2 456 |
| Provisions | **4 978** | 3 749 |
| Deferred income | **362** | 348 |

| | | |
|---|---|---|
| **Total non-current liabilities** | **18 337** | 11 161 |
| **Total liabilities** | **25 622** | 15 683 |
| **Net Assets** | **17 310** | 14 164 |
| **Equity** | | |
| Share capital BHP Billiton Limited | **1 611** | 1 851 |
| Share capital BHP Billiton Plc | **1 234** | 1 234 |
| Share premium account | **518** | 518 |
| Reserves | **154** | 94 |
| Retained earnings | **13 452** | 10 120 |
| **Total equity attributable to members of BHP Billiton Group** | **16 969** | 13 817 |
| Minority interests | **341** | 347 |
| **Total Equity** | **17 310** | 14 164 |

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**Notes to Financial Statements continued**
49 Impact of Adopting International Financial Reporting Standards continued
**Consolidated Cash Flow Statement**

| | Year ended 30 June 2005 US$M |
|---|---|
| **Operating activities** | |
| Receipts from customers | **28 425** |
| Payments to suppliers and employees | **(19 352)** |
| Cash generated from operations | **9 073** |
| Dividends received | **1 002** |
| Interest received | **90** |
| Interest paid | **(315)** |
| Income tax paid | **(1 476)** |
| **Net operating cash flows** | **8 374** |
| **Investing activities** | |
| Purchases of property, plant and equipment | **(3 450)** |
| Exploration expenditure (including amounts capitalised) | **(531)** |
| Purchases of investments and funding of jointly controlled entities | **(42)** |
| Purchases of, or increased investment in, controlled entities and joint venture interests, net of their cash | **(6 198)** |
| Cash outflows from investing activities | **(10 221)** |
| Proceeds from sale of property, plant and equipment | **153** |
| Proceeds from sale or redemption of investments | **227** |
| Proceeds from sale or partial sale of subsidiaries, operations and jointly controlled entities net of their cash | **675** |
| **Net investing cash flows** | **(9 166)** |
| **Financing activities** | |
| Proceeds from ordinary share issues | **66** |
| Proceeds from interest bearing liabilities | **5 668** |
| Repayment of interest bearing liabilities | **(1 735)** |
| Purchase of shares by ESOP trusts | **(47)** |
| Share repurchase scheme BHP Billiton Limited | **(1 792)** |
| Dividends paid | **(1 404)** |
| Dividends paid to minority interests | **(238)** |
| Repayment of finance leases | **(22)** |
| **Net financing cash flows** | **496** |

| | |
|---|---|
| **Net increase in cash and cash equivalents** | **(296)** |
| Cash and cash equivalents at beginning of period | **1 509** |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | **(6)** |
| **Cash and cash equivalents at end of period** | **1 207** |

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**Directors Declaration**

1. In the opinion of the Directors of BHP Billiton Limited:

(a) The financial statements and notes, set out on pages 2 to 98 and including the information in the Remuneration Report that is described as having been audited, are in accordance with the Corporations Act 2001, including:

(i) Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(ii) Giving a true and fair view of the financial position of the BHP Billiton Group as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the year ended 30 June 2005.

(b) There are reasonable grounds to believe that BHP Billiton Limited will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the Board of Directors.

D R Argus Chairman

C W Goodyear Chief Executive Officer

Dated in Melbourne this 8th day of September 2005

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**Independent Audit Report To the members of BHP Billiton Limited**
**Independent audit report to the members of BHP Billiton Limited**

*Scope*

***The financial report and directors responsibility***

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes 1 to 49 to the financial statements, the disclosures made in accordance with the Corporations Regulations 2001 as required by AASB 1046 *Director and Executive Disclosures by Disclosing Entities* in sections 2 to 8 (excluding sub-section 3.3) of the Remuneration report ( remuneration disclosures ) and the directors declaration for the BHP Billiton Group comprising both BHP Billiton Limited ( the Company ) and BHP Billiton Plc, and the entities they each controlled during the year, for the year ended 30 June 2005.

The Remuneration report also contains information in sections 1 and 3.3 not required by Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities,* which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

***Audit approach***

Our audit work has been undertaken so that we might state to the Company s members those matters we are required to state to them in an auditor s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company s members as a body, for our audit work, for this report, or for the opinions that we have formed.

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the BHP Billiton Group s financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

§ examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

§ assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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**Independent Audit Report To the members of BHP Billiton Limited**

While we considered the effectiveness of management s internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

*Audit opinion*

In our opinion, the financial report including the remuneration disclosures that are contained in sections 2 to 8 (excluding sub-section 3.3) of the Remuneration report of BHP Billiton Limited are in accordance with:

a) the *Corporations Act 2001*, including:

i. giving a true and fair view of the BHP Billiton Group s financial position as at 30 June 2005 and of its performance for the financial year ended on that date; and

ii. complying with Accounting Standards in Australia, including AASB 1046 *Director and Executive Disclosures by Disclosing Entities,* and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG
Peter Nash
*Partner*
Melbourne
8 September 2005

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**Independent Audit Report To the members of BHP Billiton Limited**
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**Independent Audit Report To the members of BHP Billiton Limited**
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**Supplementary oil and gas information**
**Reserves and production**

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges, the assessment of impairments and the assessment of the valuation allowances against deferred tax assets) that are based on reserve estimates are also subject to change.

Proved reserves are estimated by reference to available seismic, well and reservoir information, including production and pressure trends for producing reservoirs and, in some cases, to similar data from other producing reservoirs in the immediate area. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In certain deepwater Gulf of Mexico fields, proved reserves have been determined before production flow tests are conducted, in part because of the significant safety, cost and environmental implications of conducting those tests. In these fields other industry-accepted technologies have been used that are considered to provide reasonably certain estimates of productivity. Historically, actual production levels have validated the BHP Billiton Group s proved reserves estimated by these methods.

The table below details estimated oil, condensate, LPG and gas reserves at 30 June 2005, 30 June 2004 and 30 June 2003 with a reconciliation of the changes in each year. Reserves have been calculated using the economic interest method and represent net interest volumes after deduction of applicable royalty, fuel and flare volumes. Reserves include quantities of oil, condensate and LPG which will be produced under several production and risk sharing arrangements that involve the BHP Billiton Group in upstream risks and rewards without transfer of ownership of the products. At 30 June 2005, approximately 12 per cent (2004: 17 per cent; 2003: 19 per cent) of proved developed and undeveloped oil, condensate and LPG reserves and nil per cent (2004: nil; 2003: nil) of natural gas reserves are attributable to those arrangements. Reserves also include volumes calculated by probabilistic aggregation of certain fields that share common infrastructure. These aggregation procedures result in enterprise-wide proved reserves volumes, which may not be realised upon divestment on an individual property basis.

| (millions of barrels) | Australia/Asia | Americas | UK/Middle East | Total |
|---|---|---|---|---|
| **Proved developed and undeveloped oil, condensate and LPG reserves** [a] | | | | |
| ***Reserves at 30 June 2002*** | 329.0 | 160.7 | 108.9 | 598.6 |
| Improved recovery | | | 0.1 | 0.1 |
| Revisions of previous estimates | 52.2 | (12.2) | 12.2 | 52.2 |
| Extensions and discoveries | 0.5 | 10.1 | 3.9 | 14.5 |
| Purchase/sales of reserves | | | | |
| Production [b] | (55.1) | (6.6) | (11.7) | (73.4) |

| | | | | |
|---|---|---|---|---|
| Total changes | (2.4) | (8.7) | 4.5 | (6.6) |
| ***Reserves at 30 June 2003*** | 326.6 | 152.0 | 113.4 | 592.0 |
| Improved recovery | | | | |
| Revisions of previous estimates | 20.2 | (2.6) | (9.5) | 8.1 |
| Extensions and discoveries | 0.4 | 11.0 | 1.1 | 12.5 |
| Purchase/sales of reserves | | (4.0) | | (4.0) |
| Production [(b)] | (46.3) | (7.6) | (14.1) | (68.0) |
| Total changes | (25.7) | (3.2) | (22.5) | (51.4) |
| ***Reserves at 30 June 2004*** [(c)] | 300.9 | 148.8 | 90.9 | 540.6 |
| Improved recovery | | | | |
| Revisions of previous estimates | 24.5 | (1.7) | (1.3) | 21.5 |
| Extensions and discoveries | 7.2 | 43.5 | | 50.7 |
| Purchase/sales of reserves | (9.2) | | | (9.2) |
| Production [(b)] | (38.7) | (7.6) | (14.7) | (61.0) |
| Total changes | (16.2) | 34.2 | (16.0) | 2.0 |
| ***Reserves at 30 June 2005*** [(c)] | **284.7** | **183.0** | **74.9** | **542.6** |
| **Proved developed oil, condensate and LPG reserves** [(a)] | | | | |
| Reserves at 30 June 2002 | 233.1 | 15.9 | 30.2 | 279.2 |
| Reserves at 30 June 2003 | 227.8 | 9.9 | 24.5 | 262.2 |
| Reserves at 30 June 2004 | 201.9 | 5.4 | 54.8 | 262.1 |
| **Reserves at 30 June 2005** | **180.5** | **18.3** | **74.5** | **273.3** |

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**Supplementary oil and gas information**

(a) In Bass Strait, the North West Shelf and the North Sea, LPG is extracted separately from crude oil and natural gas.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved oil, condensate and LPG reserves include 12.6 million barrels derived from probabilistic aggregation procedures.

| (billions of cubic feet) | Australia/Asia [a] | Americas | UK/Middle East | Total |
|---|---|---|---|---|
| **Proved developed and undeveloped natural gas reserves** | | | | |
| ***Reserves at 30 June 2002*** | 4 500.8 | 154.0 | 489.2 | 5 144.0 |
| Improved recovery | | | 16.7 | 16.7 |
| Revisions of previous estimates | 404.1 | 4.9 | (7.0) | 402.0 |
| Extensions and discoveries | 188.9 | 10.2 | | 199.1 |
| Purchases/sales of reserves | | | | |
| Production [b] | (189.2) | (21.8) | (79.9) | (290.9) |
| Total changes | 403.8 | (6.7) | (70.2) | 326.9 |
| ***Reserves at 30 June 2003*** | 4 904.6 | 147.3 | 419.0 | 5 470.9 |
| Improved recovery | | | | |
| Revisions of previous estimates | 114.6 | 2.2 | (10.0) | 106.8 |
| Extensions and discoveries | 51.6 | 4.6 | | 56.2 |
| Purchases/sales of reserves | | (32.8) | | (32.8) |
| Production [b] | (222.9) | (20.5) | (77.0) | (320.4) |
| Total changes | (56.7) | (46.5) | (87.0) | (190.2) |
| ***Reserves at 30 June 2004*** [c] | 4 847.9 | 100.8 | 332.0 | 5 280.7 |
| Improved recovery | | | | |
| Revisions of previous estimates | 237.3 | 3.1 | (29.9) | 210.5 |
| Extensions and discoveries | 177.0 | 27.6 | | 204.6 |
| Purchases/sales of reserves | (165.8) | | | (165.8) |
| Production [b] | (275.7) | (14.6) | (57.6) | (347.9) |
| Total changes | (27.2) | 16.1 | (87.5) | (98.6) |
| ***Reserves at 30 June 2005*** [c] | **4 820.7** | **116.9** | **244.5** | **5 182.1** |
| **Proved developed natural gas reserves** | | | | |
| Reserves at 30 June 2002 | 2 455.1 | 79.9 | 481.9 | 3 016.9 |
| Reserves at 30 June 2003 | 2 560.4 | 64.8 | 397.1 | 3 022.3 |
| Reserves at 30 June 2004 | 2 539.7 | 20.1 | 310.0 | 2 869.8 |
| **Reserves at 30 June 2005** | **2 621.4** | **15.1** | **239.3** | **2 875.8** |

(a) Production for Australia includes gas sold as LNG.

(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved natural gas reserves include 190.6 billion cubic feet derived from probabilistic aggregation procedures.

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**Shareholder Information**
**Twenty largest shareholders as at 27 August 2005 (as named on the Register of Shareholders)**

| **BHP Billiton Limited** | Number of fully paid shares | % of issued capital |
|---|---|---|
| 1 Westpac Custodian Nominees Ltd | | |
| 2 J P Morgan Nominees | | |
| 3 National Nominees Ltd | | |
| 4 Citicorp Nominees Pty Ltd | | |
| 5 Australian Mutual Provident Society | | |
| 6 ANZ Nominees Ltd | | |
| 7 Queensland Investment Corporation | | |
| 8 Commonwealth Custodial Services Ltd | | |
| 9 HSBC Australia Nominees Pty Ltd | | |
| 10 RBC Global Services Australia Nominees Pty Ltd | | |
| 11 Government Superannuation Office <State Super Fund A/C> | | |
| 12 RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C> | | |
| 13 Commonwealth Superannuation Board of Trustees | | |
| 14 NRMA Group | | |
| 15 Westpac Financial Services Ltd | | |
| 16 RBC Global Services Australia Nominees Pty Ltd <RA A/C> | | |
| 17 Bond Street Custodians Limited | | |
| 18 INVIA Custodian Pty Limited | | |
| 19 RBC Global Services Australia Nominees Pty Ltd <MLWSIF A/C> | | |
| 20 Victorian WorkCover Authority | | |

| **BHP Billiton Plc** | Number of fully paid shares | % of issued capital |
|---|---|---|
| 1 Plc Nominees Pty Ltd | | |
| 2 Chase Nominees Limited | | |
| 3 Mellon Nominees UK Limited <BSDTUSD A/C> | | |
| 4 HSBC Global Custody Nominee UK Limited <357206 A/C> | | |
| 5 Chase Nominees Limited <USRESLD A/C> | | |
| 6 Chase Nominees Limited <BGILIFEL A/C> | | |
| 7 Nortrust Nominees Limited <SLEND A/C> | | |
| 8 Mellon Nominees UK Limited <BSDTABN A/C> | | |
| 9 The Bank of New York Nominees Limited | | |
| 10 Chase Nominees Limited <PUTLEND A/C> | | |
| 11 Chase Nominees Limited <LEND A/C> | | |
| 12 BNY OCS Nominees Limited | | |

13 Prudential Client HSBC GIS Nominee UK Limited <PAC A/C>
14 Nortrust Nominees Limited
15 State Street Nominees Limited <GB01 A/C>
16 HSBC Global Custody Nominee UK Limited <899877 A/C>
17 Stanlife Nominees Limited
18 Vidacos Nominees Limited <FGN A/C>
19 State Street Nominees Limited <SS01 A/C>
20 Chase Nominees Limited <LENDNON A/C>

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**Shareholder Information**
**Substantial shareholders**
**BHP Billiton Limited**
Nil.
**BHP Billiton Plc**
By notices provided the Company s register of substantial shareholdings showed the following interests in 3 per cent or more of the Company s shares:

| | Date of notice | Ordinary shares | % |
|---|---|---|---|
| Old Mutual Plc (1) | 29 Aug 03 | 152 656 921 | 6.19 |
| Legal & General Investment Management Ltd | 14 Jun 02 | 75 230 880 | 3.05 |

(1) Old Mutual Asset Managers (South Africa) (Pty) Ltd hold 79 417 870 shares representing 3.22 per cent of the total disclosed for Old Mutual Plc group companies.

(2) Chase Nominees Ltd holds 75 386 454 shares representing 3.05 per cent of the total disclosed for Franklin Resources Inc & affiliates.

**Distribution of shareholders and shareholdings as at 27 August 2004**

| | **BHP Billiton Limited** | | **BHP Billiton Plc** | |
|---|---|---|---|---|
| | Shareholders | Shares | Shareholders | Shares |
| | Numbers % | Numbers % | Numbers % | Numbers% |
| **Registered address** | | | | |
| Australia | | | | |
| New Zealand | | | | |
| United Kingdom | | | | |
| United States | | | | |
| South Africa | | | | |
| Other | | | | |
| **Total** | | | | |

| | **BHP Billiton Limited** | | | | **BHP Billiton Plc** | | | |
|---|---|---|---|---|---|---|---|---|
| | Shareholders | | Shares (1) | | Shareholders | | Shares (1) | |
| | Numbers | % | Numbers | % | Numbers | % | Numbers | % |
| **Size of holding** | | | | | | | | |

1 500[2)]
501 1 000
1 001 5 000
5 001 10 000
10 001 25 000
25 001 50 000
50 001 100 000
100 001 250 000
250 001 500 000
500 001 1 000 000
1 000 001 and over

**Total**

(1) One share entitles the shareholder to one vote.

(2) Number of BHP Billiton Limited shareholders holding less than a marketable parcel (A$500) based on the market price of A$13.33 as at 27 August 2004 was 6 820.

| | **BHP Billiton Limited** | | **BHP Billiton Plc** | |
|---|---|---|---|---|
| | Shareholders Numbers % | Shares Numbers % | Shareholders Numbers % | Shares[1] Numbers % |
| **Classification of holder** | | | | |
| Corporate | | | | |
| Private | | | | |
| **Total** | | | | |