



# COMBINED FINANCIAL STATEMENTS

BHP BILLITON LIMITED ANNUAL REPORT 2004



## ABOUT THIS REPORT

BHP Billiton is a Dual Listed Company comprising BHP Billiton Limited and BHP Billiton Plc. The two entities continue to exist as separate companies but operate as a combined group known as BHP Billiton.

The headquarters of BHP Billiton Limited and the global headquarters of the combined BHP Billiton Group are located in Melbourne, Australia. BHP Billiton Plc is located in London, UK. Both companies have identical Boards of Directors and are run by a unified management team. Throughout this Report the Boards are referred to collectively as the Board. Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole.

The laws in Australia and the UK require us to adopt a different approach to reporting results. These Combined Financial Statements deal with the affairs of the BHP Billiton Group.

Throughout this Report, the terms BHP Billiton, the Company and the Group refer to the combined group, including both BHP Billiton Limited and subsidiary companies and BHP Billiton Plc and subsidiary companies. The term 'the merger' has a corresponding meaning.

Copies of the Annual Reports for BHP Billiton Plc and BHP Billiton Limited (Concise Report and Combined Financial Statements) can be found on [www.bhpbilliton.com](http://www.bhpbilliton.com). Shareholders may also request a copy by telephoning 1300 656 780 (within Australia) or (61 3) 9649 5020 (from elsewhere).

The financial results of the BHP Billiton Group prepared in accordance with US Generally Accepted Accounting Principles (GAAP) are provided in the 'BHP Billiton Plc Annual Report 2004' (which is prepared in accordance with UK GAAP), or in the 2004 Annual Report of BHP Billiton Limited which will be filed on Form 20-F with the US Securities and Exchange Commission. The 'BHP Billiton Plc Annual Report 2004' and the 2004 Form 20-F will be provided to shareholders on request and free of charge and will be available on the BHP Billiton Group's website [www.bhpbilliton.com](http://www.bhpbilliton.com).

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 US\$M <sup>(a)</sup>	2003 US\$M <sup>(a)(b)</sup>
<b>Revenue from ordinary activities</b>			
Operating revenue	4	22 887	15 608
Non-operating revenue	4	626	941
	10	23 513	16 549
<i>deduct</i>			
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	5	17 084	11 730
		6 429	4 819
<i>add</i>			
Share of net profit of joint venture and associated entities accounted for using the equity method	10,18	223	164
		6 652	4 983
<i>deduct</i>			
Depreciation and amortisation	6	1 793	1 689
Borrowing costs	7	490	511
Profit from ordinary activities before income tax	8,10	4 369	2 783
<i>deduct</i>			
Income tax expense attributable to ordinary activities	9	870	883
<b>Net profit</b>		3 499	1 900
<i>deduct</i>			
Outside equity interests in net profit of controlled entities		96	40
<b>Net profit attributable to members of the BHP Billiton Group</b>		3 403	1 860
Net exchange fluctuations on translation of foreign currency net assets and foreign currency interest bearing liabilities net of tax		48	67
Total direct adjustments to equity attributable to members of the BHP Billiton Group		48	67
<b>Total changes in equity other than those resulting from transactions with owners</b>	35	3 451	1 927
Basic earnings per share (US cents)	12	54.7	30.0
Diluted earnings per share (US cents)	12	54.5	29.9

<sup>(a)</sup> Financial information for 2004 and 2003 represents the financial performance of the BHP Billiton Group (Refer 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements').

<sup>(b)</sup> Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Statement of Financial Performance for the year ended 30 June 2003 includes the financial effect of the demerger and subsequent sale of the 6 per cent interest retained by the Group upon demerger. Refer note 3.

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Notes	2004 US\$M <sup>(a)</sup>	2003 US\$M <sup>(a)</sup>
<b>Current assets</b>			
Cash assets	36	1 818	1 552
Receivables	13	2 778	2 177
Other financial assets	14	167	143
Inventories	15	1 715	1 328
Other assets	16	176	129
<b>Total current assets</b>		<b>6 654</b>	<b>5 329</b>
<b>Non-current assets</b>			
Receivables	17	748	897
Investments accounted for using the equity method	18	1 369	1 403
Other financial assets	19	123	148
Inventories	20	45	51
Property, plant and equipment	21	20 945	19 780
Intangible assets	22	422	466
Deferred tax assets	9	502	447
Other assets	23	371	354
<b>Total non-current assets</b>		<b>24 525</b>	<b>23 546</b>
<b>Total assets</b>	10	<b>31 179</b>	<b>28 875</b>
<b>Current liabilities</b>			
Payables	24	2 786	2 362
Interest bearing liabilities	25	1 134	898
Tax liabilities		297	309
Other provisions and liabilities	26	810	1 100
<b>Total current liabilities</b>		<b>5 027</b>	<b>4 669</b>
<b>Non-current liabilities</b>			
Payables	27	177	195
Interest bearing liabilities	28	5 453	6 426
Deferred tax liabilities	9	1 053	1 434
Other provisions and liabilities	29	4 044	3 312
<b>Total non-current liabilities</b>		<b>10 727</b>	<b>11 367</b>
<b>Total liabilities</b>	10	<b>15 754</b>	<b>16 036</b>
<b>Net assets</b>		<b>15 425</b>	<b>12 839</b>
<b>Equity</b>			
Contributed equity – BHP Billiton Limited	30	1 851	1 785
Called up share capital – BHP Billiton Plc	30	1 752	1 732
Reserves	32	547	440
Retained profits	33	10 928	8 558
<b>Total BHP Billiton interest</b>		<b>15 078</b>	<b>12 515</b>
Outside equity interests	34	347	324
<b>Total equity</b>	35	<b>15 425</b>	<b>12 839</b>

<sup>(a)</sup> Financial information for 2004 and 2003 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.

**STATEMENT OF CASH FLOWS** FOR THE YEAR ENDED 30 JUNE 2004

Notes	2004 US\$M <sup>(a)</sup>	2003 US\$M <sup>(a)</sup>
<b>Cash flows related to operating activities</b>		
Receipts from customers	23 372	15 415
Payments in the course of operations	(16 671)	(10 617)
Dividends received	238	212
Interest received	78	36
Borrowing costs (includes capitalised interest)	(370)	(411)
Operating cash flows before income tax	6 647	4 635
Income taxes paid	(1 337)	(1 002)
<b>Net operating cash flows</b>	36 <b>5 310</b>	<b>3 633</b>
<b>Cash flows related to investing activities</b>		
Purchases of property, plant and equipment	(2 589)	(2 571)
Exploration expenditure (includes capitalised exploration)	(454)	(348)
Purchases of investments and funding of joint ventures	(35)	(95)
Investing cash outflows	(3 078)	(3 014)
Proceeds from sale of property, plant and equipment	157	99
Proceeds from sale or redemption of investments	89	560
Proceeds from demerger, sale or partial sale of controlled entities, joint venture and associated entities' interests net of their cash	179	405
<b>Net investing cash flows</b>	<b>(2 653)</b>	<b>(1 950)</b>
<b>Cash flows related to financing activities</b>		
Proceeds from ordinary share issues	76	172
Proceeds from interest bearing liabilities	375	3 698
Repayment of interest bearing liabilities	(1 336)	(4 121)
Purchase of shares by ESOP trusts	(25)	(6)
Purchase of shares under Share Buy-Back program	–	(20)
Dividends paid	(1 501)	(830)
Dividends paid to outside equity interests	(75)	(38)
Other	(9)	1
<b>Net financing cash flows</b>	<b>(2 495)</b>	<b>(1 144)</b>
<b>Net increase in cash and cash equivalents</b>	<b>162</b>	<b>539</b>
Cash and cash equivalents at beginning of period	1 531	990
Effect of foreign currency exchange rate changes on cash and cash equivalents	(8)	2
<b>Cash and cash equivalents at end of period</b>	36 <b>1 685</b>	<b>1 531</b>

<sup>(a)</sup> Financial information for 2004 and 2003 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.

## 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 2004 and 30 June 2003 are of the combined entity including both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies;
- 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](http://www.bhpbilliton.com)) and are available to shareholders on request, free of charge.

# NOTES TO FINANCIAL STATEMENTS

## 1(a) 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, 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.

### 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.

### Change in accounting policy

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, except for the following:

#### *Employee share awards*

Effective 1 July 2003, the BHP Billiton Group changed its accounting policy for employee share awards.

Under the revised accounting policy, the estimated cost of share awards made by the BHP Billiton Group is charged to profit 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 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 (ESOP) trusts utilised by the BHP Billiton Group to hold shares for employee remuneration schemes are consolidated.

In prior years, the estimated cost of share awards was initially charged to profit and recorded as a provision using the market value of shares at the grant date. Where share awards were satisfied by on-market purchases, the cost was subsequently adjusted to the actual consideration for shares purchased. Further, shares in BHP Billiton held by the ESOP trusts were shown as other financial assets.

The effects of the accounting policy change on the financial statements for the year ended 30 June 2004 are as follows:

- As at 1 July 2003, the Employee Share Awards reserve increased by US\$84 million representing the reclassification from provisions to retained earnings for the accrued employee entitlement on unvested share awards and decreased by US\$6 million representing the reclassification from other financial assets of shares held by ESOP trusts; and
- Net profit increased by US\$12 million representing costs no longer recognised for the excess consideration paid to purchase shares on market (US\$8 million) and the foreign currency translation of the accrued cost of unvested awards now recorded in shareholders' equity (US\$4 million).

The cumulative impact on the Statement of Financial Performance in prior periods is immaterial. For comparative purposes the relevant items in the Statement of Financial Position as at 30 June 2003 have been reclassified.

The accounting policy change in respect of the consideration paid to purchase shares on-market and to include shares held by ESOP trusts in shareholders' equity better represents the nature of the transactions involved, that is, a share buy-back by the Group and a separate issue of shares to employees to satisfy the exercise of share awards. This also aligns the amount of expense recorded in the Statement of Financial Performance for share awards, irrespective of whether the Group satisfies awards through a new share issue or on-market purchase.

### 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 are 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.



## 1(a) Statement of accounting policies continued

**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.

**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 ventures 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 ventures, 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 allows 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 a portion of the sales price as revenue is deferred at the time of shipment until a final adjustment is determined. Historically these adjustments have been insignificant.

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 charged to the Statement of Financial Performance as incurred except where:

- it is expected that the expenditure will be recouped by future exploitation or sale; or
- substantial exploration and evaluation activities have identified a mineral resource but these 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.

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.

1(a) Statement of accounting policies continued

**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 unit 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.

**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 may be 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, except where they represent the sale or abandonment of a significant business or all of the assets associated with such a business, and are not considered to be of a recurring nature, in which case 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 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.

*Depreciation of property, plant and equipment*

The carrying amounts of property, plant and equipment (including the original capital expenditure and any subsequent capital expenditure) is depreciated to its 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
- Land – not depreciated
- Plant, machinery and equipment – 4 to 30 years
- 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

## 1(a) Statement of accounting policies continued

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.

### 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 carrying amount and fair values 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 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, the Group has 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 (revenue).

Upon initial implementation, the deferred tax balances in relation to wholly-owned entities 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. The impact on the income tax expense for the year is disclosed in note 2.

1(a) Statement of accounting policies continued

**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.

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.

**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 pensioners. 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 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.

The expected cost of any approved decommissioning or restoration program, 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 Group. The cost is capitalised where it gives rise to future benefits. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in borrowing costs. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site.

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 unforeseen events gives rise to a loss which is probable and reliably estimable.

The cost of ongoing programs to prevent and control pollution and to rehabilitate the environment 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.

## 1(a) Statement of accounting policies continued

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.

When undertaking strategic financial transactions, all gains and losses are included in the Statement of Financial Performance at the end of each reporting period. The premiums paid on strategic financial transactions are included in the Statement of Financial Performance at the inception of the contract.

### Use of estimates

The preparation of the BHP Billiton Group's combined 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.

### Exchange rates

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

	Average 2004	Average 2003	As at 30 June 2004	As at 30 June 2003
Australian dollar <sup>(a)</sup>	<b>0.71</b>	0.58	<b>0.69</b>	0.67
Brazilian real	<b>2.94</b>	3.31	<b>3.11</b>	2.88
Canadian dollar	<b>1.35</b>	1.51	<b>1.35</b>	1.35
Chilean peso	<b>634</b>	718	<b>637</b>	697
Colombian peso	<b>2 779</b>	2 804	<b>2 699</b>	2 818
South African rand	<b>6.89</b>	9.03	<b>6.27</b>	7.50
Euro	<b>0.84</b>	0.96	<b>0.83</b>	0.87
UK pound sterling	<b>0.58</b>	0.63	<b>0.56</b>	0.61

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

## 1(b) Impact of International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Group must comply with Australian Accounting Standards that have been revised to satisfy the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The 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 United Kingdom are currently moving to an IFRS based financial reporting regime in the same timeframe, this structure creates unique IFRS implementation issues, for example:

- (i) the Australian Accounting Standards Board has approved IFRS based standards which mandate particular policies that are optional (and unlikely to become general practice) in the UK; and
- (ii) there is a risk that further changes in IFRS prior to 30 June 2006 will attract inconsistent early adoption rules between the two jurisdictions.

Accordingly, significant uncertainty remains as to the likely impact of IFRS on the 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 Management and Audit Committee. The implementation project consists of three phases:

- (i) *Scoping and impact analysis* – Project scoping and impact analysis was substantially complete by 30 June 2004 and produced a high-level view of potential differences to existing accounting and reporting policies and consequential changes to information systems and business processes.
- (ii) *Evaluation and design phase* – This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The evaluation and design phase is well advanced at 30 June 2004 and the Group will continue to evaluate the impact of IFRS through to implementation.
- (iii) *Implementation and review phase* – The implementation and review phase has commenced and includes substantial training programs 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. It will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, embedding of IFRS in business processes, elimination of any unnecessary data collection processes and Board approval of IFRS financial statements. Implementation also involves delivery of further training to staff as revised systems begin to take effect. This phase commenced at the beginning of the 2004 calendar year and is not expected to be complete until 30 June 2005.

### Key differences in accounting policies

This financial report has 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 (significant or not) between Australian GAAP and IFRS.

The Group has not quantified the effects of the differences described below. The regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Australian GAAP and IFRS and their impact on the Group's financial reports in future years. The future impact of IFRS will also depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the Group identified to date are as follows:

- All derivative financial instruments must be recognised in the Statement of Financial Position and measured at fair value. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied. These changes may impact the manner in which the Group executes risk mitigation strategies through derivatives and their consequent accounting.
- Income tax will be calculated using the 'balance sheet liability' approach, which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of balance sheet items, rather than accounting and tax values of items recognised in profit and loss. This approach has the potential to give 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.
- The cost of employee compensation provided in the form of equity-based compensation (including shares and options) will be measured based on the fair value of those instruments, rather than their intrinsic value, and accrued over the period of employee service. This is likely to change the total amount of compensation cost and the pattern of cost recognition.
- Defined benefit pension plan and medical benefit plan arrangements will 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 will be subject to changes in value that may be more volatile than changes in assets and liabilities currently recognised under Group policy. Changes in the net asset or liability of these plans will be recognised directly in profit and loss as they occur.

Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

## 2 Significant items

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

Year ended 30 June 2004	Gross US\$M	Tax US\$M	Net US\$M
<b>Significant items by category</b>			
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)
<b>Total by category</b>	<b>(468)</b>	<b>509</b>	<b>41</b>
<b>Significant items by Customer Sector Group</b>			
Petroleum	66	(18)	48
Base Metals	(482)	11	(471)
Stainless Steel Materials	(10)	3	(7)
Group and unallocated items	(42)	513	471
<b>Total by Customer Sector Group</b>	<b>(468)</b>	<b>509</b>	<b>41</b>

### *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 has chosen to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of these assets. This has 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. The BHP Billiton Limited Interim Report noted that BHP Billiton made the election to consolidate and as a result, the Group recorded a tax benefit of US\$207 million as at 31 December 2003. As a result of recent pronouncements by the Australian government and taxation authority on the Australian tax consolidation regime, and revision of estimates, an additional benefit of US\$60 million has since been recorded for the year ended 30 June 2004.

### *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 has 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 has increased to the extent that some of the provisions against deferred tax assets established in prior years are no longer necessary. This is 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 has 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.

Year ended 30 June 2003	Gross US\$M	Tax US\$M	Net US\$M
<b>Significant items by category</b>			
Loss on sale of 6% interest in BHP Steel	(19)	–	(19)
<b>Total by category</b>	<b>(19)</b>	<b>–</b>	<b>(19)</b>
<b>Significant items by Customer Sector Group</b>			
Discontinued Operations	(19)	–	(19)
<b>Total by Customer Sector Group</b>	<b>(19)</b>	<b>–</b>	<b>(19)</b>

## 2 Significant items continued

**Loss on sale of 6% interest in BHP Steel**

Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. A 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's Steel business. This was sold in July 2002 for US\$75 million and the loss of US\$19 million associated with this sale was recognised in the year ended 30 June 2003.

**3 Discontinued Operations**

Due to the demerger of the BHP Steel business (now known as BlueScope Steel) in July 2002, BHP Steel's results have been reported as Discontinued Operations for the year ended 30 June 2003.

The BHP Billiton Group demerged the BHP Steel business in July 2002 as follows:

- a capital reduction and a transfer to BHP Billiton Limited shareholders of 94 per cent of the shares in BHP Steel;
- a bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held); and
- the sale by the BHP Billiton Group of the remaining 6 per cent of BHP Steel shares held by the Group.

The impact of these steps for the year ended 30 June 2003 was:

- the BHP Billiton Group's total equity was reduced by US\$1 489 million, including costs directly associated with the demerger of US\$17 million net of tax (US\$24 million before tax);
- a cash inflow of US\$347 million, representing net US\$294 million from the settlement by BHP Steel of intercompany loans, less US\$22 million demerger transaction costs paid, and US\$75 million from the sale of the 6 per cent of BHP Steel; and
- a 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's steel business. This was sold in July 2002 for US\$75 million and the loss of US\$19 million associated with this sale was recognised and disclosed as a significant item.

The financial effect of the sale, in July 2002, of the 6 per cent interest retained by the Group upon demerger is detailed below.

	2003 US\$M
<b>Financial performance</b>	
Revenue from ordinary activities before interest income	75
Expenses from ordinary activities excluding borrowing costs	(94)
Loss from ordinary activities before net borrowing costs and income tax	(19)

The contribution to Group cash flows of the BHP Steel business before consideration of borrowing costs and income tax, as included in the BHP Billiton Group financial statements is detailed below:

	2003 US\$M
<b>Cash flows</b>	
Net operating cash flows (excluding borrowing activities and income tax)	–
Net investing cash flows <sup>(a)</sup>	74
Net financing cash flows	–
Total cash flows provided by Discontinued Operations	74

<sup>(a)</sup> Includes US\$75 million in proceeds from the sale of 6 per cent of BHP Steel and US\$1 million in costs associated with the sale.



### 3 Discontinued Operations continued

The attributable net assets of BHP Steel at the date of the demerger in July 2002 are provided below, after allowing for the settlement of intercompany loans by BHP Steel to the BHP Billiton Group and the realisation of Group profit in stock held by BHP Steel.

	July 2002 US\$M
<b>Financial position</b>	
Total assets	2 731
Total liabilities	(840)
Outside equity interests	(21)
Total equity	1 870
Net payments to the BHP Billiton Group by BHP Steel to settle intercompany loans (post 30 June 2002)	(294)
Attributable net assets of BHP Steel	1 576
Group profit in stock held by BHP Steel	(9)
Attributable net assets of the BHP Billiton Group at date of demerger <sup>(a)</sup>	1 567

<sup>(a)</sup> Of the US\$1 567 million attributable net assets at date of demerger, approximately 94 per cent or US\$1 472 million were demerged to shareholders of BHP Billiton Limited; this together with US\$17 million in costs of the demerger represents a reduction in total equity of US\$1 489 million. Refer note 35.

### 4 Revenue from ordinary activities

	2004 US\$M	2003 US\$M
Operating revenue		
Sale of goods <sup>(a)</sup>	22 123	15 049
Rendering of services	764	559
<b>Total operating revenue</b>	<b>22 887</b>	<b>15 608</b>
Non-operating revenue		
Interest income	78	65
Exchange differences on cash assets	5	2
Interest revenue	83	67
Dividend income	35	16
Proceeds from sales of non-current assets	277	711
Other income	231	147
<b>Total non-operating revenue</b>	<b>626</b>	<b>941</b>

<sup>(a)</sup> Cost of goods sold for the BHP Billiton Group was US\$14 279 million (2003: US\$9 197 million).

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

	2004 US\$M	2003 US\$M
Employee benefits expense (a)	2 177	1 746
Raw materials and consumables used	3 116	2 450
External services (including transportation)	3 557	2 539
Third party commodity purchases	5 747	2 547
Changes in inventories of finished goods and work in progress	(270)	(158)
Net book value of non-current assets sold	176	677
Diminution in value of non-current assets	116	73
Resource rent taxes	432	467
Rental expense in respect of operating leases (b)	172	127
Government royalties paid and payable (c)	421	352
Royalties other	36	66
Other	1 404	844
<b>Total expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs</b>	<b>17 084</b>	<b>11 730</b>

(a) Includes US\$96 million (2003: US\$70 million) for employee share awards.

(b) Represents minimum lease payments.

(c) Includes amounts paid or payable to Australian governments of US\$262 million (2003: US\$231 million) and to others of US\$159 million (2003: US\$121 million).

**6 Depreciation and amortisation**

	2004 US\$M	2003 US\$M
Depreciation relates to		
Buildings	122	98
Plant, machinery and equipment	1 299	1 220
Mineral rights and other mineral assets	188	174
Exploration, evaluation and development expenditure	131	141
Capitalised leased assets	9	9
Total depreciation	1 749	1 642
Amortisation relates to		
Goodwill	44	47
Total amortisation	44	47
<b>Total depreciation and amortisation</b>	<b>1 793</b>	<b>1 689</b>

## 7 Borrowing costs

	2004 US\$M	2003 US\$M
Borrowing costs paid or due and payable		
On interest bearing liabilities	365	396
On finance leases	2	4
<b>Total borrowing costs</b>	<b>367</b>	<b>400</b>
<i>deduct</i>		
Amounts capitalised <sup>(a)</sup>	97	103
	270	297
<i>add</i>		
Discounting on provisions and other liabilities	111	97
Exchange differences on Group borrowings <sup>(b)</sup>	109	117
<b>Borrowing costs charged against net profit from ordinary activities</b>	<b>490</b>	<b>511</b>

<sup>(a)</sup> 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. For the year ended 30 June 2004 the capitalisation rate was 4.6 per cent (2003: 5.2 per cent).

<sup>(b)</sup> Exchange differences primarily represent the effect on borrowings of the appreciation of the rand against the US dollar.

## 8 Other profit and loss items

	2004 US\$M	2003 US\$M
<b>Net profit before tax from ordinary activities is after crediting the following items:</b>		
Profits from sales of		
Investments	6	11
Property, plant and equipment	98	60
Net movement in the doubtful debts provision in respect of		
Trade receivables	1	8
Sundry receivables	5	(3)
<b>Net profit before tax from ordinary activities is after charging the following items:</b>		
Losses from sales of		
Investments <sup>(a)</sup>	–	23
Property, plant and equipment	3	14
Diminution in value of		
Investments	3	10
Property, plant and equipment (excluding depreciation)	61	54
Exploration, evaluation and development expenditures		
Incurred and expensed in current period	284	248
Previously capitalised, written off as unsuccessful or abandoned	52	9
Net foreign exchange loss		
Borrowings	109	117
Other	65	84
Bad debts written off in respect of		
Trade receivables	–	1
Sundry receivables	1	1
Research and development costs before crediting related grants	19	40
Reversals of impairment losses	(95)	–

## 8 Other profit and loss items continued

	2004 US\$M	2003 US\$M
Material transfers to/(from) provision for		
Resource rent tax	30	26
Employee benefits	391	394
Restoration and rehabilitation	791	131
Restructuring	(29)	9
Post-retirement benefits	62	72
<b>Remuneration of auditors</b>		
Audit fees payable by the BHP Billiton Group to:		
Auditors of the BHP Billiton Group (a)		
KPMG	7.751	3.443
PricewaterhouseCoopers	0.537	4.055
Other audit firms (a)(b)	–	0.990
<b>Total audit fees</b>	<b>8.288</b>	<b>8.488</b>
Fees payable by the BHP Billiton Group to auditors for other services		
Auditors of the BHP Billiton Group		
Audit related services (c)		
KPMG	0.354	0.598
PricewaterhouseCoopers (a)	–	1.548
Information systems design and implementation (d)		
KPMG	–	0.720
Taxation services (e)		
KPMG	1.525	1.994
PricewaterhouseCoopers (a)	–	1.288
Other services (f)		
KPMG	0.313	0.596
PricewaterhouseCoopers (a)	–	0.138
Other audit firms		
Other services (a)	–	1.407
<b>Total other services</b>	<b>2.192</b>	<b>8.289</b>
<b>Total fees</b>	<b>10.480</b>	<b>16.777</b>

(a) During the year ended 30 June 2004, the BHP Billiton Group completed a review of its joint external audit services and resolved that the audit could be more efficiently undertaken by a single audit firm. As a result of this review, KPMG was selected to continue as sole auditor. In addition to the audit fee disclosed above, PricewaterhouseCoopers received US\$0.418 million in relation to other services.

(b) Audited by auditors other than those that were joint Group auditors of the BHP Billiton Group.

(c) Mainly includes accounting advice, due diligence services and services associated with securities offerings. For the year ended 30 June 2004, audit fees of US\$0.252 million (2003: US\$0.248 million) relating to pension plans, which are not directly payable by the BHP Billiton Group, have been excluded from the above analysis.

(d) Relates to legacy contracts entered into with the former consulting arm of the audit firm before they were disposed.

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

(f) Mainly includes human resources services and pension advisory services.

## 9 Income tax

	2004 US\$M	2003 US\$M
<b>Income tax expense</b>		
Prima facie tax calculated at 30 per cent on profit from ordinary activities	1 311	835
<b>add/(deduct) tax-effect of permanent differences:</b>		
Investment and development allowance	(83)	(9)
Recognition of prior year tax losses and tax credits (a)	(316)	(188)
Non-deductible accounting depreciation and amortisation	68	87
Non-deductible dividends on redeemable preference shares	8	8
Non tax-effected operating losses	222	112
Tax rate differential on non-Australian income	(49)	(15)
Non tax-effected capital gains	(5)	(2)
Foreign expenditure including exploration not presently deductible	5	4
Foreign exchange losses on current and deferred tax balances	76	255
Other foreign exchange gains and translation adjustments	(26)	(63)
Tax rate changes	13	(1)
Introduction of Australian tax consolidation regime (refer note 2)	(267)	–
Amounts over provided in prior years	(14)	(105)
Other	(73)	(35)
<b>Income tax expense attributable to ordinary activities</b>	<b>870</b>	<b>883</b>

(a) Includes recognition of benefits of US and Canadian taxation deductions of US\$238 million (2003: US\$nil). Refer note 2.

	2004 US\$M	2003 US\$M
<b>Deferred tax assets (non-current)</b>		
<b>Deferred tax assets at year end comprises:</b>		
Depreciation	(172)	(273)
Exploration expenditure	80	122
Provisions		
Employee benefits	34	56
Restoration and rehabilitation	42	86
Resource rent tax	–	95
Other	39	(6)
Deferred income	23	125
Foreign exchange losses	5	41
Foreign tax credits	179	–
Deferred charges	(178)	–
Profit in stocks elimination	18	2
Other	52	(32)
Tax-effected losses	380	231
<b>Total deferred tax assets</b>	<b>502</b>	<b>447</b>

## 9 Income tax continued

	2004 US\$M	2003 US\$M
<b>Deferred tax liabilities (non-current)</b>		
<i>Provision for deferred income tax at year end comprises:</i>		
Depreciation	1 629	1 280
Exploration expenditure	(5)	44
Provisions		
Employee benefits	(98)	(21)
Restoration and rehabilitation	(329)	(82)
Resource rent tax	(111)	(4)
Other	55	15
Deferred income	(89)	–
Deferred charges	136	45
Foreign exchange losses	(181)	(230)
Foreign tax	–	219
Other	82	150
Tax-effected losses	(46)	(3)
<b>Total provision for deferred income tax</b>	<b>1 043</b>	<b>1 413</b>
Non-current provision for income tax	10	21
<b>Total deferred tax liabilities</b>	<b>1 053</b>	<b>1 434</b>

As at 30 June 2004, the BHP Billiton Group has not recognised potential tax expense of 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. Tax expense will be recognised when such gains and losses are realised for tax purposes.

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.

**Tax losses**

At 30 June 2004, the BHP Billiton Group has ordinary tax losses and capital losses of approximately US\$2 535 million (2003: US\$2 439 million), and timing differences of US\$1 586 million (2003: US\$945 million) which have not been tax-effected. The BHP Billiton Group anticipates benefits from the recognition of losses and timing differences in future periods to the extent of income or gains in relevant jurisdictions. The Group recognises tax losses to the extent that it expects to earn virtually certain future profits that can absorb those losses.

Refer to note 1 in respect of the recognition of tax-effected losses.

## 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, metals distribution activities and 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	Inter-segment revenue	Share of net profit of equity accounted investments	Profit before tax <sup>(a)(b)</sup>	Gross segment assets	Gross segment liabilities	Depreciation and amortisation	Other non-cash items	Capital expenditure <sup>(c)</sup>	Carrying value of equity accounted investments
<b>Year ended 30 June 2004</b>										
Petroleum	5 686	50	–	1 456	6 764	2 800	587	(55)	927	98
Aluminium	4 463	–	–	765	6 233	949	246	–	272	–
Base Metals	3 080	–	45	614	5 322	2 856	255	482	215	212
Carbon Steel Materials	4 640	7	78	1 110	4 450	1 659	230	2	662	286
Diamonds and Specialty Products	698	22	19	321	1 510	521	125	29	188	250
Energy Coal	2 351	–	85	186	3 192	1 186	207	67	141	519
Stainless Steel Materials	1 782	–	–	555	2 190	538	108	14	151	4
Group and unallocated items <sup>(d)</sup>	730	1 071	(4)	(231)	1 518	5 245	35	141	33	–
	23 430	1 150	223	4 776	31 179	15 754	1 793	680	2 589	1 369
Net unallocated interest	83			(407)				215		
<b>BHP Billiton Group</b>	<b>23 513</b>	<b>1 150</b>	<b>223</b>	<b>4 369</b>	<b>31 179</b>	<b>15 754</b>	<b>1 793</b>	<b>895</b>	<b>2 589</b>	<b>1 369</b>
<b>Year ended 30 June 2003</b>										
Petroleum	3 334	4	–	1 178	5 164	2 207	549	50	861	73
Aluminium	3 401	–	–	569	5 976	936	245	–	462	–
Base Metals	1 757	–	20	245	4 423	1 133	257	(2)	201	262
Carbon Steel Materials	3 474	26	57	1 018	3 793	1 562	196	7	479	299
Diamonds and Specialty Products	469	11	59	185	1 455	362	107	–	101	277
Energy Coal	1 901	–	27	162	3 185	1 120	194	2	300	488
Stainless Steel Materials	1 105	–	1	145	2 077	426	102	10	121	4
Group and unallocated items <sup>(d)</sup>	966	465	–	(256)	2 802	8 290	39	76	46	–
	16 407	506	164	3 246	28 875	16 036	1 689	143	2 571	1 403
Discontinued Operations <sup>(e)</sup>	75			(19)						
Net unallocated interest	67			(444)				212		
<b>BHP Billiton Group</b>	<b>16 549</b>	<b>506</b>	<b>164</b>	<b>2 783</b>	<b>28 875</b>	<b>16 036</b>	<b>1 689</b>	<b>355</b>	<b>2 571</b>	<b>1 403</b>

(a) Before outside equity interests.

(b) Excludes income tax expense for BHP Billiton Group of US\$870 million (2003: US\$883 million), which results in a net profit after income tax expense of US\$3 499 million (2003: US\$1 900 million).

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

(d) Includes consolidation adjustments.

(e) The results of operations and the financial position presented as Discontinued Operations, represents the demerged Steel business (refer note 3).

## NOTES TO FINANCIAL STATEMENTS CONTINUED

## 10 Segment results continued

**Geographical segment information**

US\$ million	External revenue by location of customer <sup>(a)</sup>	Gross segment assets	Capital expenditure
<b>Year ended 30 June 2004</b>			
Australia	2 026	10 027	1 228
North America	1 880	4 292	621
Europe	8 638	3 611	53
South America	727	6 581	238
Southern Africa	1 381	5 576	341
Japan	2 675	–	–
South Korea	1 538	–	–
China	2 239	–	–
Other Asia	1 512	–	–
Rest of World	897	1 092	108
<b>BHP Billiton Group</b>	<b>23 513</b>	<b>31 179</b>	<b>2 589</b>
<b>Year ended 30 June 2003</b>			
Australia	2 002	9 664	1 031
North America	1 707	3 579	451
Europe	5 166	2 886	69
South America	828	6 444	219
Southern Africa	951	5 428	570
Japan	2 269	–	–
South Korea	1 149	–	–
China	1 069	–	–
Other Asia	1 096	–	–
Rest of World	312	874	231
<b>BHP Billiton Group</b>	<b>16 549</b>	<b>28 875</b>	<b>2 571</b>

<sup>(a)</sup> In the year ended 30 June 2003, revenue for Australia includes US\$75 million for Discontinued Operations representing the demerged Steel business (refer note 3).



## 11 Dividends

	2004 US\$M	2003 US\$M
<b>BHP Billiton Limited</b> <sup>(a)</sup>		
Dividends declared <sup>(b)</sup>	–	280
Dividends paid <sup>(c)</sup>	619	262
	619	542
<b>BHP Billiton Plc</b> <sup>(a)</sup>		
Dividends declared <sup>(b)</sup>	–	185
Dividends paid		
Ordinary shares <sup>(c)</sup>	406	173
Preference shares <sup>(d)</sup>	–	–
	406	358
<b>Total dividends paid or payable</b> <sup>(e)</sup>	<b>1 025</b>	<b>900</b>

  

	2004 US cents	2003 US cents
<b>Dividends per share</b> <sup>(a)</sup>		
First interim dividend paid	8.0	7.0
Second interim dividend paid	8.5	–
Final dividend declared <sup>(b)</sup>	9.5	7.5
	26.0	14.5

Dividends are stated net of amounts which are not payable outside the BHP Billiton Group under the terms of the share repurchase scheme (refer note 35) and ESOP trusts.

- (a) BHP Billiton Limited dividends per American Depositary Share (ADS) for 2004 were 52.0 US cents per share (2003: 29.0 US cents per share). BHP Billiton Plc dividends per ADS for 2004 were 52.0 US cents per share. BHP Billiton Plc ADSs listed on the New York Stock Exchange on 25 June 2003. As the listing was subsequent to the record date for the final 2003 dividend, no dividends per BHP Billiton Plc ADS were applicable for the 2003 year. For the periods indicated, each ADS represents two ordinary shares.
- (b) Subsequent to year end on 18 August 2004 BHP Billiton declared a final dividend of 9.5 US cents per share fully franked (2003: 7.5 US cents per share declared prior to year end) which will be paid on 22 September 2004. The final dividend has not been provided for at 30 June 2004.
- (c) 2004 includes a first interim dividend paid of 8.0 US cents fully franked per share (2003: 7.0 US cents fully franked per share) and a second interim dividend paid of 8.5 US cents fully franked per share (2003: nil).
- (d) 5.5 per cent dividend on 50 000 preference shares of £1 each (2003: 5.5 per cent).
- (e) Refer notes 33 and 35.

For the purposes of AASB 1034 'Financial Reports Presentation and Disclosures', the Group had an adjusted franking account balance of US\$468 million (on a tax paid basis) at 30 June 2004. It is anticipated that dividends payable in the following year will be fully franked.

From 1 July 2002, the Australian Income Tax Assessment Act 1997 requires measurement of franking credits based on the amount of income tax paid, rather than after tax profits. As a result, the franking credits available were converted from US\$591 million to US\$253 million as at 1 July 2002. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

## 12 Earnings per share

	2004	2003
Basic earnings per share (US cents)	54.7	30.0
Diluted earnings per share (US cents)	54.5	29.9
Basic earnings per American Depositary Share (ADS) (US cents) <sup>(a)</sup>	109.4	60.0
Diluted earnings per American Depositary Share (ADS) (US cents) <sup>(a)</sup>	109.0	59.8
Earnings (US\$ million) <sup>(b)</sup>	3 403	1 860

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 12 Earnings per share *continued*

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:

	2004 Million	2003 Million
Weighted average number of shares		
Basic earnings per share denominator	6 218	6 207
Shares and options contingently issuable under employee share ownership plans	28	15
Diluted earnings per share denominator	6 246	6 222

(a) For the periods indicated, each ADS represents two ordinary shares.

(b) Represents basic and diluted earnings.

### 13 Receivables (current)

	2004 US\$M	2003 US\$M
Trade receivables	2 018	1 467
<i>deduct</i> Provision for doubtful debts	(4)	(5)
Total trade receivables	2 014	1 462
Sundry receivables		
Employee Share Plan loans (a)	1	2
Other	764	719
<i>deduct</i> Provision for doubtful debts	(1)	(6)
Total sundry receivables	764	715
<b>Total current receivables</b>	<b>2 778</b>	<b>2 177</b>

(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)

	2004 US\$M	2003 US\$M
Securities not quoted on prescribed stock exchanges		
Term deposits	6	14
Other investments	161	129
Total book value of not quoted securities (a)(b)	167	143
Total current other financial assets	167	143

(a) Not quoted securities include US\$153 million (2003: US\$104 million) held by the Ingwe and Selbaie Environmental Trust Funds. The future realisation of these investments is intended to fund environmental obligations relating to the closure of Ingwe's and Selbaie's mines and 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\$14 million (2003: US\$39 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.

**15 Inventories (current)**

	2004 US\$M	2003 US\$M
Raw materials and stores		
At cost	449	353
	449	353
Work in progress		
At net realisable value	4	3
At cost	371	333
	375	336
Finished goods		
At net realisable value	6	2
At cost	885	637
	891	639
Total current inventories		
At net realisable value	10	5
At cost	1 705	1 323
<b>Total current inventories</b>	<b>1 715</b>	<b>1 328</b>

**16 Other assets (current)**

	2004 US\$M	2003 US\$M
Other deferred charges and prepayments	176	129
<b>Total current other assets</b>	<b>176</b>	<b>129</b>

**17 Receivables (non-current)**

	2004 US\$M	2003 US\$M
Employee Share Plan loans <sup>(a)</sup>	62	69
Other sundry receivables <sup>(b)</sup>	686	828
<b>Total non-current receivables</b>	<b>748</b>	<b>897</b>

<sup>(a)</sup> 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).

<sup>(b)</sup> Other sundry receivables include loans to joint venture entities of US\$225 million (2003: US\$275 million) that are in the form of cash on deposit, with the bank having an equivalent amount on loan to the joint venture.

**18 Investments accounted for using the equity method**

Major shareholdings in joint venture and associated entities	Principal activities	Reporting date	Ownership interest <sup>(a)</sup>				Carrying value of investment	
			At joint venture's or associate's reporting date		At BHP Billiton Group reporting date		2004 US\$M	2003 US\$M
			2004 %	2003 %	2004 %	2003 %		
Caesar Oil Pipeline Company LLC	Hydrocarbons transportation	31 May	25	25	25	25	59	42
Carbones del Cerrejon LLC	Coal mining	31 Dec	33.3	33.3	33.3	33.3	503	485
Cleopatra Gas Gathering Company LLC	Hydrocarbons transportation	31 May	22	22	22	22	39	29
Highland Valley Copper <sup>(b)</sup>	Copper mining	31 Dec	33.6	33.6	–	33.6	–	86
Minera Antamina SA	Copper and zinc mining	30 June	33.75	33.75	33.75	33.75	213	175
Integrus Metals Inc	Metals distribution	31 Dec	50	50	50	50	170	159
Richards Bays Minerals <sup>(c)</sup>	Minerals sands mining and processing	31 Dec	50	50	50	50	79	115
Samarco Mineracao SA	Iron ore mining	31 Dec	50	50	50	50	261	276
Other <sup>(d)</sup>							45	36
<b>Total</b>							<b>1 369</b>	<b>1 403</b>

	2004 US\$M	2003 US\$M
<b>Share of net profit of investments accounted for using the equity method</b>		
Revenue <sup>(e)</sup>	2 056	1 902
Expenses <sup>(e)</sup>	(1 726)	(1 637)
Profit before income tax <sup>(e)</sup>	330	265
Income tax expense <sup>(e)</sup>	(107)	(101)
Share of net profit of investments accounted for using the equity method	223	164
<b>Share of post-acquisition retained profits of investments accounted for using the equity method</b>		
Share of retained profits of investments accounted for using the equity method at the beginning of the financial year	233	329
Share of net profit of investments accounted for using the equity method	223	164
Dividends received/receivable from investments accounted for using the equity method	(203)	(197)
Disposal of investments accounted for using the equity method	–	(63)
Share of retained profits of investments accounted for using the equity method at the end of the financial year	253	233
<b>Movements in carrying amount of investments accounted for using the equity method</b>		
Carrying amount of investments accounted for using the equity method at the beginning of the financial year	1 403	1 505
Share of net profit of investments accounted for using the equity method	223	164
Increased investments accounted for using the equity method	25	41
Dividends received/receivable from investments accounted for using the equity method	(203)	(197)
Disposal of investments accounted for using the equity method	(79)	(110)
Carrying amount of investments accounted for using the equity method at the end of the financial year	1 369	1 403
<b>Share of contingent liabilities and expenditure commitments of investments accounted for using the equity method</b>		
Contingent liabilities – unsecured (included in note 39)	93	128
Contracts for capital expenditure not completed	55	98
Other commitments	22	6

## 18 Investments accounted for using the equity method continued

	In Aggregate		BHP Billiton Group Share	
	2004 US\$M	2003 US\$M	2004 US\$M	2003 US\$M
<b>Net assets of investments accounted for using the equity method can be analysed as follows:</b>				
Current assets	<b>1 749</b>	1 666	<b>855</b>	728
Non-current assets	<b>5 566</b>	5 799	<b>2 096</b>	2 152
Current liabilities	<b>(1 019)</b>	(1 101)	<b>(576)</b>	(476)
Non-current liabilities	<b>(2 604)</b>	(2 652)	<b>(1 006)</b>	(1 001)
<b>Net assets of investments accounted for using the equity method</b>	<b>3 692</b>	3 712	<b>1 369</b>	1 403

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

(b) Effective January 2004, the BHP Billiton Group sold its interest in Highland Valley Copper for US\$81 million.

(c) 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 (2003: 51 per cent) and 49 per cent (2003: 49 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.

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

(e) Effective April 2003, the BHP Billiton Group sold its interest in Minera Alumbra Limited for US\$187 million. In 2003, the share of net profit of investments accounted for using the equity method included the results of associated entities relating to the Group's 50 per cent interest in Minera Alumbra Limited. This includes revenue of US\$94 million, expenses of US\$69 million, profit before income tax of US\$25 million, and income tax expense of US\$nil.

## 19 Other financial assets (non-current)

	2004 US\$M	2003 US\$M
Securities quoted on prescribed stock exchanges		
Shares in other corporations (a)(b)	<b>68</b>	70
Securities not quoted on prescribed stock exchanges		
Shares in other corporations	<b>55</b>	78
<b>Total non-current other financial assets</b>	<b>123</b>	148

(a) Market value of quoted securities, shares in other corporations is US\$115 million (2003: US\$75 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 2004 (2003: US\$nil) in the table above and a market value of US\$19 million (2003: US\$11 million).

## 20 Inventories (non-current)

	2004 US\$M	2003 US\$M
Raw materials and stores	<b>11</b>	3
Work in progress	<b>34</b>	48
<b>Total non-current inventories (at cost)</b>	<b>45</b>	51

**21 Property, plant and equipment**

	Gross value of assets 2004 US\$M	Accumulated depreciation 2004 US\$M	Net value of assets 2004 US\$M	Gross value of assets 2003 US\$M	Accumulated depreciation 2003 US\$M	Net value of assets 2003 US\$M
Land and buildings (a)(b)	2 625	1 026	1 599	2 260	931	1 329
Plant, machinery and equipment (c)	24 757	12 833	11 924	22 699	12 133	10 566
Capital works in progress (d)	2 331	–	2 331	2 936	–	2 936
Mineral rights and other mineral assets (e)	4 998	1 704	3 294	4 848	1 567	3 281
Exploration, evaluation and development (f)						
Now in production	2 007	1 214	793	1 970	1 101	869
In development stage but not yet producing	550	–	550	327	–	327
In exploration and/or evaluation stage	504	126	378	487	70	417
Capitalised leased assets (g)	132	56	76	103	48	55
<b>Total property, plant and equipment</b>	<b>37 904</b>	<b>16 959</b>	<b>20 945</b>	<b>35 630</b>	<b>15 850</b>	<b>19 780</b>

	2004 US\$M	2003 US\$M
(a) Current value of land and buildings (excluding extractive industry land and buildings)		
Land	75	75
Buildings	486	381
	561	456

	2004 US\$M
(b) Land and buildings	
Balance at the beginning of the financial year	1 329
Additions (including capitalised interest)	72
Depreciation	(122)
Net disposals including disposal of controlled entities	(12)
Amounts written off	(3)
Reversals of impairment losses	16
Exchange variations	1
Transfers and other movements	318
Balance at the end of the financial year (i)	1 599
(c) Plant, machinery and equipment	
Balance at the beginning of the financial year	10 566
Additions (including capitalised interest)	326
Depreciation	(1 299)
Net disposals including disposal of controlled entities	(109)
Amounts written off	(46)
Reversals of impairment losses	79
Exchange variations	67
Transfers and other movements	2 340
Balance at the end of the financial year (i)	11 924

## 21 Property, plant and equipment continued

	2004 US\$M
(d) Capital works in progress	
Balance at the beginning of the financial year	2 936
Additions (including capitalised interest)	2 015
Net disposals including disposal of controlled entities	(3)
Transfers and other movements	(2 617)
Balance at the end of the financial year	2 331
(e) Mineral rights and other mineral assets	
Balance at the beginning of the financial year	3 281
Additions (including capitalised interest)	190
Depreciation	(188)
Amounts written off	(12)
Transfers and other movements	23
Balance at the end of the financial year <sup>(i)(ii)</sup>	3 294
(f) Exploration, evaluation and development expenditures carried forward	
Balance at the beginning of the financial year	1 613
Additions (including capitalised exploration and interest)	335
Depreciation	(131)
Net disposals including disposal of controlled entities	(1)
Amounts written off	(52)
Exchange variations	11
Transfers and other movements	(54)
Balance at the end of the financial year <sup>(i)</sup>	1 721
(g) Capitalised leased assets	
Balance at the beginning of the financial year	55
Additions	32
Depreciation	(9)
Transfers and other movements	(2)
Balance at the end of the financial year	76

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

Land and buildings: US\$25 million (2003: US\$6 million).

Plant, machinery and equipment: US\$178 million (2003: US\$164 million).

Mineral rights and other mineral assets: US\$62 million (2003: US\$62 million).

Exploration, evaluation and development expenditures carried forward: US\$7 million (2003: US\$nil).

<sup>(ii)</sup> Includes US\$687 million (2003: US\$534 million) of deferred overburden removal costs.

**22 Intangible assets**

	2004 US\$M	2003 US\$M
Goodwill at cost	821	821
<i>deduct</i> Amounts amortised	399	355
<b>Total intangible assets</b>	<b>422</b>	<b>466</b>

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

	2004 US\$M	2003 US\$M
Pension asset (refer note 41)	282	270
Other deferred charges and prepayments	89	84
<b>Total non-current other assets</b>	<b>371</b>	<b>354</b>

**24 Payables (current)**

	2004 US\$M	2003 US\$M
Trade creditors	1 688	1 338
Sundry creditors	1 098	1 024
<b>Total current payables</b>	<b>2 786</b>	<b>2 362</b>

**25 Interest bearing liabilities (current)**

	2004 US\$M	2003 US\$M
Current portion of unsecured long-term loans		
Bank loans	252	230
Notes and debentures	306	150
<b>Total current portion of long-term loans</b>	<b>558</b>	<b>380</b>
Current portion of		
Non-recourse finance	361	78
Secured debt (limited recourse)	51	28
Finance leases	9	4
Short-term interest bearing liabilities		
Unsecured bank loans	–	371
Unsecured other	22	16
Bank overdrafts		
Unsecured	133	21
<b>Total other current interest bearing liabilities</b>	<b>576</b>	<b>518</b>
<b>Total current interest bearing liabilities (a)</b>	<b>1 134</b>	<b>898</b>

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



## 26 Other provisions and liabilities (current)

	2004 US\$M	2003 US\$M
Employee benefits	340	272
Post-retirement benefits	9	7
Restoration and rehabilitation	136	56
Restructuring	11	45
Other	158	138
Total current other provisions (a)	654	518
Dividends	–	468
Deferred income	156	114
<b>Total current other provisions and liabilities</b>	<b>810</b>	<b>1 100</b>

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

## 27 Payables (non-current)

	2004 US\$M	2003 US\$M
Trade creditors	1	14
Sundry creditors	176	181
<b>Total non-current payables</b>	<b>177</b>	<b>195</b>

## 28 Interest bearing liabilities (non-current)

	2004 US\$M	2003 US\$M
Unsecured bank loans	55	97
Total non-current portion of bank loans and overdrafts	55	97
Notes and debentures	3 653	4 145
Commercial paper	–	138
Redeemable preference shares (a)	450	450
Non-recourse finance	545	828
Secured debt (limited recourse)	435	478
Finance leases	67	49
Other	248	241
Total non-current portion of debentures and other borrowings	5 398	6 329
<b>Total non-current interest bearing liabilities (b)</b>	<b>5 453</b>	<b>6 426</b>

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

**Auction market preferred stock:** 600 (2003: 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 (2003: 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, interest rate and maturity profiles of interest bearing liabilities.

**29 Other provisions and liabilities (non-current)**

	2004 US\$M	2003 US\$M
Employee benefits (a)	282	275
Post-retirement benefits (b)	326	310
Resource rent tax	275	241
Restoration and rehabilitation	2 647	1 969
Restructuring (c)	–	12
Other (d)	166	160
Total non-current other provisions	3 696	2 967
Deferred income	348	345
<b>Total non-current other provisions and liabilities</b>	<b>4 044</b>	<b>3 312</b>

	Employee benefits(a) US\$M	Post- retirement benefits(b) US\$M	Resource rent tax US\$M	Restoration and rehabilitation(e) US\$M	Restructuring(c) US\$M	Other US\$M	Total US\$M
<b>Movements in provision balances</b>							
At 30 June 2003	547	317	241	2 025	57	298	3 485
Amounts capitalised	–	–	–	103	–	–	103
Disposals of subsidiaries	–	–	–	(57)	–	–	(57)
Charge/(credit) for the year							
Underlying	370	40	24	691	2	137	1 264
Discounting	2	–	–	100	–	–	102
Exchange variation	19	22	6	–	–	7	54
Released during the year	–	–	–	–	(31)	(28)	(59)
Exchange variation taken to reserves	–	–	4	12	–	–	16
Utilisation	(311)	(48)	(1)	(82)	(15)	(104)	(561)
Transfers and other movements	(5)	4	1	(9)	(2)	14	3
<b>At 30 June 2004</b>	<b>622</b>	<b>335</b>	<b>275</b>	<b>2 783</b>	<b>11</b>	<b>324</b>	<b>4 350</b>
Current (note 26)	340	9	–	136	11	158	654
Non-current	282	326	275	2 647	–	166	3 696

(a) Comparatives have been reclassified to reflect the accounting policy change in respect of Employee Share Awards. Refer to note 1. In the year ended 30 June 2004 the average number of employees, excluding joint venture and associated entities employees, and including executive Directors was 35 070 (2003: 34 801). The provision for employee entitlements includes applicable amounts for annual leave and associated on-costs, including workers' compensation liabilities as detailed below:

	2004 US\$M	2003 US\$M
<b>Self-insurance workers' compensation provision</b>		
New South Wales	12	12
Victoria	–	1
Western Australia	4	4
Queensland	14	14
Total workers' compensation liabilities	30	31

(b) The provision for post-retirement benefits includes pension liabilities of US\$62 million (2003: US\$65 million) and post-retirement medical benefit liabilities of US\$273 million (2003: US\$252 million). Refer note 41.

(c) The provision for restructuring costs as at 30 June 2004 includes site remediation and rehabilitation costs of US\$nil (2003: US\$10 million).

(d) Provisions include non-current non-executive Directors' retirement benefits of US\$2 million (2003: US\$2 million).

## 29 Other provisions and liabilities (non-current) continued

(e) The Group's activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, the 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 2004 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\$5 402 million (2003: US\$3 391 million).

At 30 June 2004, US\$1 702 million (2003: US\$1 622 million) was provided for reclamation and decommissioning costs relating to operating sites in the provision for site rehabilitation. In addition, the Group has certain obligations associated with maintaining and/or remediating closed sites. At 30 June 2004, US\$1 081 million (2003: US\$403 million, excluding US\$10 million held in the restructuring provision) was provided for closed sites. Adjustments to the provisions in relation to these closed sites are recognised during the period in which the adjustments are made. In addition to the uncertainties noted above, certain of these activities are subject to legal dispute and depending on the ultimate resolution of these matters the final liability could vary. 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. The 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 35 per cent (2003: 50 per cent) greater or in the order of 20 per cent lower than the US\$1 081 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*

In 1999, the Group announced the cessation of Southwest Copper operations, and 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 assets comprised several mining and smelting operations and associated facilities, much of which had been operating for many years prior to the Group acquiring the Southwest Copper operation in 1996. In January 2002, the Group announced the closure of the San Manuel mining facilities, and in October 2003 the closure of the San Manuel plant facilities was announced. The closure of these facilities, together with certain other reclamation and decommissioning activities, were progressed during the years ended 30 June 2003 and 2004. For certain sites, the development of closure plans is well progressed, however, at other sites the necessary site characterisation and engineering work is at an early stage. A comprehensive review of the closure plans for Southwest Copper was undertaken, following the refocusing of the Group's direction during the period towards an accelerated closure strategy. This followed exhaustion of the alternative strategies referred to above, and resulted in a shortened timeframe to closure for some of the facilities. Actions during the year resulting from the review included the announcement of the closure of the San Manuel plant facilities in October 2003, and the divestment and farm-out of certain assets and liabilities during the period, such as the Robinson copper/gold mining operation and the Resolution copper exploration prospect. As a consequence of detailed site-specific risk assessments conducted during the period, the review also 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 (refer note 2).

Despite the work carried out during the current period, uncertainty remains over the extent and costs of the required short-term closure activities, the extent, cost and timing of post-closure monitoring and longer-term water management. The Group anticipates that future changes in the closure provisions for Southwest Copper may be required as the necessary site characterisation and engineering work is progressed. The closure provisions for Southwest Copper (including amounts in relation to Pinal Creek, which is described in more detail below) total US\$771 million at 30 June 2004 (2003: US\$297 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.

On 2 April 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. On 22 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 program.

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 2004 the Group has provided US\$102 million (30 June 2003: US\$22 million) for its anticipated share of the planned remediation work, based on a range reasonably foreseeable up to US\$138 million (30 June 2003: US\$43 million), and the Group has paid out US\$38 million up to 30 June 2004. These amounts are based on the provisional equal allocation of these 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.

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\$310 million at 30 June 2004 (2003: US\$106 million). The key sites covered by this amount are described briefly below.

- *Newcastle Steelworks* – the 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 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 Group closed its Selbaie copper mine in January 2004 and has responsibility for site reclamation and remediation activities.
- *Rio Algom* – the Group has responsibility for long-term remediation costs for various 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.

Closure provisions for other closed sites have been increased in the current period mainly due to refinements of closure plans at the Island Copper mine, Newcastle Steelworks, the Selbaie copper mine and several other smaller sites (refer note 2), and also the classification of Selbaie as a closed site (classified as operating at 30 June 2003). These increases resulted from a number of causes, including (a) a reassessment during the period of an original pit lake water treatment process which requires additional treatment for a longer period; (b) a comprehensive environmental assessment completed during the period as a consequence of a change in approach relating to the remediation of river sediment; and, (c) development of detailed closure plans, including site characterisation, in relation to sites which closed during the last two years where closure activities have now commenced.

**30 Contributed equity and called up share capital**

	2004 US\$M	2003 US\$M
<b>BHP Billiton Limited</b>		
<b><i>Paid up contributed equity</i></b> <sup>(a)</sup>		
3 759 487 555 fully paid ordinary shares (2003: 3 747 687 775)	1 851	1 785
Nil ordinary shares paid to A\$1.40 (2003: 240 000) <sup>(b)</sup>	–	–
405 000 ordinary shares paid to A\$1.36 (2003: 1 095 000) <sup>(b)</sup>	–	–
1 Special Voting Share (2003: 1) <sup>(c)</sup>	–	–
	<b>1 851</b>	<b>1 785</b>

	Number of shares	
	2004	2003
<b><i>Movements in fully paid ordinary shares</i></b>		
Opening number of shares	3 747 687 775	3 724 893 687
Shares issued on exercise of Employee Share Plan Options <sup>(d)</sup>	10 764 732	20 165 784
Shares issued on exercise of Performance Rights <sup>(d)</sup>	–	918 120
Partly paid shares converted to fully paid <sup>(b)</sup>	1 035 048	1 710 184
Shares bought back and cancelled <sup>(e)</sup>	–	–
Closing number of shares <sup>(f)</sup>	<b>3 759 487 555</b>	<b>3 747 687 775</b>

	2004 US\$M	2003 US\$M
<b>BHP Billiton Plc</b>		
<b><i>Allotted, called up and fully paid share capital</i></b> <sup>(i)</sup>		
2 468 147 002 ordinary shares of US\$0.50 each (2003: 2 468 147 002) <sup>(g)(h)</sup>	1 752	1 732
50 000 (2003: 50 000) 5.5% preference shares of £1 each <sup>(i)</sup>	–	–
1 Special Voting Share (2003: 1) <sup>(c)</sup>	–	–
	<b>1 752</b>	<b>1 732</b>

	Number of shares	
	2004	2003
<b><i>Movements in allotted, called up and fully paid shares</i></b> <sup>(k)</sup>		
Opening number of shares	2 468 147 002	2 319 147 885
Bonus shares issued <sup>(a)</sup>	–	148 999 117
Closing number of shares	<b>2 468 147 002</b>	<b>2 468 147 002</b>

(a) Contributed equity decreased by US\$1 456 million in 2003 due to the demerger of BHP Steel in July 2002. This reflected a capital reduction of A\$0.69 per share.

The demerger resulted in BHP Billiton Limited shareholders being issued one BHP Steel Limited share for every five BHP Billiton Limited shares held.

(b) 240 000 (2003: 80 000) shares paid to A\$1.40 and 690 000 (2003: 1 210 000) shares paid to A\$1.36 were converted to fully paid during 2004. There were no partly paid shares issued during the year (2003: nil). Including bonus shares, 1 035 048 (2003: 1 710 184 shares) were issued on conversion of these partly paid shares. 190 000 (2003: 282 000) partly paid shares are entitled to 216 936 (2003: 321 984) 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 year ended 30 June 2004, BHP Billiton Limited did not repurchase any shares (2003: nil) in accordance with its announced share buy-back program. The buy-back program allows for the purchase of up to 186 million BHP Billiton Limited shares (adjusted for the bonus issue), less the number of BHP Billiton Plc shares purchased on-market by Nelson Investment Limited or BHP Billiton Plc.

### 30 Contributed equity and called up share capital continued

- (f) During the period 1 July 2004 to 1 September 2004, 125 000 Executive Share Scheme partly paid shares were paid up in full, 1 163 361 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan Options, 116 272 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Performance Share Plan Performance Rights and 192 628 fully paid ordinary shares were issued on the exercise of Group Incentive Scheme awards.
- (g) 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 (2003: US\$518 million) of premium on the issue of shares.
- (h) On 23 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.
- (i) 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 J. P. Morgan plc.
- (j) 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.
- (k) During the year ended 30 June 2004, BHP Billiton Plc did not repurchase any shares under the authorisation granted by its shareholders. The shareholders authorised the Company to enter into contracts to purchase up to 247 million of BHP Billiton Plc shares until the end of the Annual General Meeting in 2004.

### 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 2004	Number of awards issued during year ended 30 June 2004
<b>BHP Billiton Limited employee share awards</b>		
Group Incentive Scheme (deferred shares)	2 884 289	3 001 722
Group Incentive Scheme (options)	1 309 448	1 338 814
Group Incentive Scheme (performance shares)	10 136 908	3 353 538
Employee Share Plan (shares)	18 660 656	–
Employee Share Plan (options)	24 309 476	–
Executive Share Scheme (partly paid shares)	621 936	–
Performance Share Plan (LTI)	5 031 632	–
Performance Share Plan (MTI)	212 395	–
Bonus Equity Share Plan (shares)	818 746	–
<b>BHP Billiton Plc employee share awards</b>		
Group Incentive Scheme (deferred shares)	1 310 131	1 397 818
Group Incentive Scheme (options)	855 044	918 054
Group Incentive Scheme (performance shares)	4 833 951	1 649 448
Restricted Share Scheme	4 076 894	–
Co-Investment Plan	539 984	–

NOTES TO FINANCIAL STATEMENTS CONTINUED

31 Employee share ownership plans continued

**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 <sup>(a)</sup>		Co-Investment Plan awards <sup>(a)</sup>	
	2004	2003	2004	2003
Number of awards issued since the DLC merger <sup>(b)</sup>	<b>5 657 555</b>	5 657 555	<b>1 023 425</b>	1 023 425
<i>During the financial year</i>				
Number of awards remaining at the beginning of the financial year	<b>4 608 382</b>	5 351 690	<b>837 450</b>	1 000 399
Number of awards issued	–	–	–	–
Number of awards exercised	<b>(167 230)</b>	(426 604)	<b>(102 656)</b>	(45 415)
Number of awards lapsed	<b>(364 258)</b>	(316 704)	<b>(194 810)</b>	(117 534)
Number of awards remaining at the end of the financial year	<b>4 076 894</b>	4 608 382	<b>539 984</b>	837 450
Exercisable	–	–	–	–
Not exercisable	<b>4 076 894</b>	4 608 382	<b>539 984</b>	837 450
Number of employees participating in awards issued	–	–	–	–
Market value of awards issued (US\$ million) <sup>(c)</sup>	–	–	–	–
Proceeds from awards issued (US\$ million)	–	–	–	–
Number of employees exercising awards	<b>10</b>	22	<b>27</b>	10
Market value of shares on exercise of awards (US\$ million)	<b>1</b>	2	–	–
	Group Incentive Scheme Deferred Shares (BHP Billiton Limited) <sup>(a)</sup>		Group Incentive Scheme Deferred Shares (BHP Billiton Plc) <sup>(a)</sup>	
	2004	2003	2004	2003
Number of awards issued since commencement of the Plan	<b>3 001 722</b>		<b>1 397 818</b>	
<i>During the financial year</i>				
Number of awards remaining at the beginning of the financial year	–		–	
Number of awards issued	<b>3 001 722</b>		<b>1 397 818</b>	
Number of awards exercised	<b>(30 884)</b>		<b>(11 610)</b>	
Number of awards lapsed	<b>(86 549)</b>		<b>(76 077)</b>	
Number of awards remaining at the end of the financial year	<b>2 884 289</b>		<b>1 310 131</b>	
Exercisable	–		–	
Not exercisable	<b>2 884 289</b>		<b>1 310 131</b>	
Number of employees participating in awards issued	<b>391</b>		<b>200</b>	
Market value of awards issued (US\$ million) <sup>(c)</sup>	–		–	
Proceeds from awards issued (US\$ million)	–		–	
Number of employees exercising awards	<b>6</b>		<b>2</b>	
Market value of shares on exercise of awards (US\$ million)	–		–	

## 31 Employee share ownership plans continued

	Group Incentive Scheme Options (BHP Billiton Limited) <sup>(a)</sup>		Group Incentive Scheme Options (BHP Billiton Plc) <sup>(a)</sup>	
	2004	2003	2004	2003
Number of awards issued since commencement of the Plan	<b>1 338 814</b>		<b>918 054</b>	
<i>During the financial year</i>				
Number of awards remaining at the beginning of the financial year	–		–	
Number of awards issued	<b>1 338 814</b>		<b>918 054</b>	
Number of awards exercised	–		<b>(21 241)</b>	
Number of awards lapsed	<b>(29 366)</b>		<b>(41 769)</b>	
Number of awards remaining at the end of the financial year	<b>1 309 448</b>		<b>855 044</b>	
Exercisable	–		–	
Not exercisable	<b>1 309 448</b>		<b>855 044</b>	
Number of employees participating in awards issued	<b>104</b>		<b>81</b>	
Market value of awards issued (US\$ million) <sup>(c)</sup>	–		–	
Proceeds from awards issued (US\$ million)	–		–	
Number of employees exercising awards	–		–	
Market value of shares on exercise of awards (US\$ million)	–		–	

	Group Incentive Scheme Performance Shares (BHP Billiton Limited) <sup>(a)</sup>		Group Incentive Scheme Performance Shares (BHP Billiton Plc) <sup>(a)</sup>	
	2004	2003	2004	2003
Number of awards issued since commencement of the Plan	<b>10 863 781</b>	7 510 243	<b>5 616 216</b>	3 966 768
<i>During the financial year</i>				
Number of awards remaining at the beginning of the financial year	<b>7 313 516</b>	–	<b>3 634 251</b>	–
Number of awards issued	<b>3 353 538</b>	7 510 243	<b>1 649 448</b>	3 966 768
Number of awards exercised	<b>(157 429)</b>	–	<b>(84 041)</b>	–
Number of awards lapsed	<b>(372 717)</b>	(196 727)	<b>(365 707)</b>	(332 517)
Number of awards remaining at the end of the financial year	<b>10 136 908</b>	7 313 516	<b>4 833 951</b>	3 634 251
Exercisable	–	–	–	–
Not exercisable	<b>10 136 908</b>	7 313 516	<b>4 833 951</b>	3 634 251
Number of employees participating in awards issued	<b>409</b>	424	<b>218</b>	221
Market value of awards issued (US\$ million) <sup>(c)</sup>	–	–	–	–
Proceeds from awards issued (US\$ million)	–	–	–	–
Number of employees exercising awards	<b>12</b>	–	<b>6</b>	–
Market value of shares on exercise of awards (US\$ million)	<b>1</b>	–	<b>1</b>	–

## NOTES TO FINANCIAL STATEMENTS CONTINUED

## 31 Employee share ownership plans continued

	Employee Share Plan Options <sup>(a)</sup>		Weighted Average Exercise Price (A\$)	
	2004	2003	2004	2003
Number of awards issued since commencement of the Plan	<b>178 032 575</b>	178 032 575		
<i>During the financial year</i>				
Number of awards remaining at the beginning of the financial year	<b>37 571 802</b>	60 994 303	<b>7.81</b>	8.29
Number of awards issued	–	67 500	–	8.95
Number of awards exercised	<b>(10 764 732)</b>	(20 165 784)	<b>7.48</b>	7.25
Number of awards lapsed	<b>(2 497 594)</b>	(3 324 217)	<b>8.04</b>	7.53
Number of awards remaining at the end of the financial year	<b>24 309 476</b>	37 571 802	<b>7.94</b>	7.81
Exercisable	<b>13 679 357</b>	15 899 927	<b>7.66</b>	7.03
Not exercisable	<b>10 630 119</b>	21 671 875	<b>8.30</b>	8.38
Number of employees participating in awards issued	–	1		
Market value of awards issued (US\$ million) <sup>(c)</sup>	–	–		
Proceeds from awards issued (US\$ million)	–	–		
Number of employees exercising awards	<b>1 683</b>	9 857		
Market value of shares on exercise of awards (US\$ million)	<b>88</b>	121		
Proceeds from exercise of options (US\$ million)	<b>57</b>	83		
	Employee Share Plan Shares <sup>(a)</sup>		Executive Share Scheme Partly Paid Shares <sup>(a)</sup>	
	2004	2003	2004	2003
Number of awards issued since commencement of the Plan	<b>373 745 102</b>	373 745 102	<b>50 529 280</b>	50 529 280
<i>During the financial year</i>				
Number of awards remaining at the beginning of the financial year	<b>20 508 095</b>	45 827 460	<b>1 656 984</b>	3 367 168
Number of awards issued	–	–	–	–
Number of awards exercised	<b>(1 847 439)</b>	(25 319 365)	<b>(1 035 048)</b>	(1 710 184)
Number of awards lapsed	–	–	–	–
Number of awards remaining at the end of the financial year	<b>18 660 656</b>	20 508 095	<b>621 936</b>	1 656 984
Exercisable	<b>18 660 656</b>	20 508 095	<b>621 936</b>	1 656 984
Not exercisable	–	–	–	–
Number of employees participating in awards issued			–	–
Market value of awards issued (US\$ million) <sup>(c)</sup>			–	–
Proceeds from awards issued (US\$ million)			–	–
Number of employees exercising awards			<b>4</b>	11
Market value of shares on exercise of awards (US\$ million)			<b>9</b>	7
Employee Share Plan Loans outstanding (US\$ million)	<b>63</b>	71	–	–
Proceeds from conversion of partly paid shares (US\$ million)			<b>9</b>	10



31 Employee share ownership plans continued

	Performance Share Plan Performance Rights <sup>(a)</sup>		Bonus Equity Share Plan Shares <sup>(a)</sup>	
	2004	2003	2004	2003
Number of awards issued since commencement of the Plan	<b>12 679 547</b>	12 679 547	<b>1 016 845</b>	1 016 845
<i>During the financial year</i>				
Number of awards remaining at the beginning of the financial year	<b>8 163 616</b>	10 293 469	<b>856 345</b>	1 016 845
Number of awards issued	–	–	–	–
Number of awards exercised	<b>(2 712 371)</b>	(1 901 694)	<b>(34 573)</b>	(135 945)
Number of awards lapsed	<b>(207 218)</b>	(228 159)	<b>(3 026)</b>	(24 555)
Number of awards remaining at the end of the financial year	<b>5 244 027</b>	8 163 616	<b>818 746</b>	856 345
Exercisable	<b>716 120</b>	–	–	–
Not exercisable	<b>4 527 907</b>	8 163 616	<b>818 746</b>	856 345
Number of employees participating in awards issued	–	–	–	–
Market value of awards issued (US\$ million) <sup>(c)</sup>	–	–	–	–
Proceeds from awards issued (US\$ million)	–	–	–	–
Number of employees exercising awards	<b>172</b>	22	<b>9</b>	26
Market value of shares on exercise of awards (US\$ million)	<b>21</b>	8	–	1

Month of issue	Number issued	Number of recipients	Number exercised	Number lapsed	Awards outstanding at:			Exercise period/ release date
					Balance date	Date of Directors' Report	Exercise price	
<b>Group Incentive Scheme (BHP Billiton Limited)</b>								
<b>Deferred Shares</b>								
November 2003	3 001 722	391	30 884	86 549	2 884 289	2 802 857	–	Aug 2005 – Aug 2008
<b>Options</b>								
November 2003	1 338 814	104	–	29 366	1 309 448	1 307 038	A\$11.11	Aug 2005 – Aug 2008
<b>Performance Shares</b>								
November 2003	3 353 538	409	37 309	103 226	3 213 003	3 130 937	–	Aug 2006 – Aug 2009
November 2002	7 510 243	425	120 120	466 218	6 923 905	6 715 523	–	Aug 2005 – Aug 2008
					<b>14 330 645</b>	<b>13 956 355</b>		

## 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:		Exercise price	Exercise period/ release date
					Balance date	Date of Directors' Report		
<b>Employee Share Plan Options</b>								
September 2002	67 500	1	–	–	67 500	67 500	A\$8.95	Oct 2004 – Sept 2011
November 2001	6 870 500	113	726 716	859 384	5 284 400	5 284 400	A\$8.30	Oct 2004 – Sept 2011
November 2001	7 207 000	153	1 147 273	781 508	5 278 219	5 040 600	A\$8.29	Oct 2004 – Sept 2011
December 2000	3 444 587	67	1 059 555	438 386	1 946 646	1 818 610	A\$8.72	July 2003 – Dec 2010
December 2000	2 316 010	59	826 391	274 566	1 215 053	1 121 349	A\$8.71	July 2003 – Dec 2010
November 2000	1 719 196	44	591 191	539 451	588 554	571 516	A\$8.28	July 2003 – Oct 2010
November 2000	7 764 776	197	4 779 058	827 792	2 157 926	2 015 176	A\$8.27	July 2003 – Oct 2010
April 2000	61 953	3	20 651	–	41 302	41 302	A\$7.60	April 2003 – April 2010
April 2000	937 555	5	38 721	138 361	760 473	760 473	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	59 888	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	18 371 130	21 299 028	4 804 662	4 644 148	A\$6.92	April 2002 – April 2009
April 1999	16 901 398	944	8 667 018	6 336 037	1 898 343	1 684 605	A\$6.92	April 2002 – April 2009
					<b>24 309 476</b>	<b>23 109 567</b>		
<b>Performance Share Plan Performance Rights<sup>(d)</sup></b>								
November 2001 (LTI)	5 114 298	110	581 537	434 719	4 098 042	3 864 131	–	Oct 2004 – Sept 2011
October 2001 (LTI)	173 879	2	–	–	173 879	173 879	–	Oct 2004 – Sept 2011
October 2001 (MTI)	238 940	6	–	26 545	212 395	189 900	–	Oct 2003 – Mar 2006
December 2000 (LTI)	415 510	11	317 127	–	98 383	98 383	–	July 2003 – Dec 2010
November 2000 (LTI)	4 441 620	104	3 574 015	206 277	661 328	485 055	–	July 2003 – Oct 2010
					<b>5 244 027</b>	<b>4 811 348</b>		
<b>Bonus Equity Share Plan Shares</b>								
November 2001	1 016 845	117	170 518	27 581	818 746	734 385	–	Nov 2004 – Oct 2006
					<b>818 746</b>	<b>734 385</b>		
<b>Group Incentive Scheme (BHP Billiton Plc)</b>								
<b>Deferred Shares</b>								
November 2003	1 397 818	194	11 610	76 077	1 310 131	1 271 862	–	Aug 2005 – Aug 2008
<b>Options</b>								
November 2002	918 054	78	21 241	41 769	855 044	855 044	£4.43	Aug 2005 – Aug 2008
<b>Performance Shares</b>								
November 2003	1 649 448	210	16 786	86 865	1 545 797	1 492 493	–	Aug 2006 – Aug 2009
November 2002	3 966 768	209	67 255	611 359	3 288 154	3 174 546	–	Aug 2005 – Aug 2008
					<b>6 999 126</b>	<b>6 793 945</b>		

## 31 Employee share ownership plans continued

Month of issue	Number issued	Number of recipients	Number exercised	Number lapsed	Awards outstanding at:		Exercise price	Exercise period/ release date
					Balance date	Date of Directors' Report		
<b>Restricted Share Scheme <sup>(d)</sup></b>								
November 2001 (Share awards)	292 577	1	–	169 359	123 218	123 218	–	Nov 2004
October 2001 (Share awards)	4 446 532	147	487 855	675 051	3 283 626	3 193 058	–	Nov 2004
October 2001 (Options)	918 446	32	162 547	85 849	670 050	657 385	–	Oct 2004 – Sept 2008
					<b>4 076 894</b>	<b>3 973 661</b>		
<b>Co-Investment Plan <sup>(d)</sup></b>								
November 2001	100 945	–	23 131	77 814	–	–	–	Nov 2003 – April 2006
October 2001	922 480	83	131 465	251 031	539 984	532 440	–	Oct 2003 – March 2006
					<b>539 984</b>	<b>532 440</b>		

- (a) The terms and conditions for all BHP Billiton Group employee ownership plans are detailed in Section 3.2.3 of the Remuneration Report in the BHP Billiton Limited Annual Report 2004 ('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:
- 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.
  - 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 3.2.3 of the Remuneration Report.
- (b) All awards issued under the RSS and 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 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 Group Incentive Scheme, Restricted Share Scheme and Co-Investment Plan. 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 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 by employees of BHP Billiton Limited and subsidiaries under the BHP Billiton Limited Bonus Equity Share Plan. The trustee is BHP Billiton Employee Plan Pty Ltd.

**32 Reserves**

	2004 US\$M	2003 US\$M
General reserve	–	–
Employee share awards reserve	137	78
Exchange fluctuation account	410	362
<b>Total reserves</b>	<b>547</b>	<b>440</b>
Reconciliation of movements in reserves:		
General reserve		
Opening balance	–	84
Transfer to retained profits on asset disposal	–	(51)
BHP Steel demerger <sup>(a)</sup>	–	(33)
<b>Closing balance</b>	<b>–</b>	<b>–</b>
Employee share awards reserve		
Opening balance <sup>(b)</sup>	78	–
Accrued employee entitlement for unvested awards	96	–
Vesting of employee share awards	(17)	–
Reclassification resulting from change in accounting policy <sup>(b)</sup>	–	78
Transfer of shares from BHP Billiton Plc share repurchase scheme (refer note 30)	(20)	–
<b>Closing balance <sup>(c)</sup></b>	<b>137</b>	<b>78</b>
Exchange fluctuation account		
Opening balance	362	387
Exchange fluctuations on foreign currency interest bearing liabilities net of tax <sup>(d)</sup>	–	5
Exchange fluctuations on foreign currency net assets net of tax	48	62
Transfer to retained profits on sale of assets/closure of operations	–	(92)
<b>Closing balance</b>	<b>410</b>	<b>362</b>

<sup>(a)</sup> Includes costs associated with the BHP Steel demerger of US\$17 million net of tax (US\$24 million before tax). Additional costs of US\$1 million have been charged against profit.

<sup>(b)</sup> The employee share awards reserve was created as a result of the change in accounting policy regarding employee share awards. The reserve was increased by US\$84 million representing the reclassification from provisions to equity for the accrued employee entitlement on unvested share awards and decreased by US\$6 million for shares held in BHP Billiton by ESOP Trusts (refer note 1).

<sup>(c)</sup> At 30 June 2004, 4 948 281 shares (2003: 347 498) were held in trust with a market value at that date of US\$43 million (2003: US\$2 million).

<sup>(d)</sup> Consolidated income tax expense applicable US\$nil (2003: US\$2 million expense).

**33 Retained profits**

	2004 US\$M	2003 US\$M
Retained profits opening balance	8 558	7 455
Dividends provided for or paid <sup>(a)</sup>	(1 025)	(900)
Vesting of employee share awards	(8)	–
Aggregate of amounts transferred from reserves <sup>(b)</sup>	–	143
Net profit	3 403	1 860
<b>Retained profits closing balance</b>	<b>10 928</b>	<b>8 558</b>

<sup>(a)</sup> Refer note 11.

<sup>(b)</sup> Refer note 32.

### 34 Outside equity interests

	2004 US\$M	2003 US\$M
Contributed equity	65	65
Reserves	1	1
Retained profits	281	258
<b>Total outside equity interests</b>	<b>347</b>	<b>324</b>

### 35 Total equity

	2004 US\$M	2003 US\$M
Total equity opening balance	12 839	13 167
Total changes in equity recognised in the Statement of Financial Performance	3 451	1 927
Transactions with owners – contributed equity	66	98
Dividends (a)	(1 025)	(900)
Accrued employee entitlement to share awards (b)	96	70
Purchases of shares made by ESOP trusts (b)	(25)	(6)
BHP Billiton Plc share repurchase scheme (c)	–	(20)
BHP Steel demerger – capital reduction	–	(1 489)
Total changes in outside equity interests	23	(8)
<b>Total equity closing balance</b>	<b>15 425</b>	<b>12 839</b>

(a) Refer note 11.

(b) Refer note 1.

(c) BHP Billiton Plc entered into an arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Nelson Investment Limited) established for that purpose. No shares were purchased in the year ended 30 June 2004 (2003: 3 890 000 ordinary shares). The aggregate purchase price of US\$nil (2003: US\$20 million) was funded by the BHP Billiton Group. The cost of purchasing these shares was deducted from total equity. On 23 June 2004, 3 890 000 ordinary shares of BHP Billiton Plc, which were held by Nelson Investment Limited, were transferred to the Billiton Employee Share Ownership Trust.

**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.

	2004 US\$M	2003 US\$M
<b>Reconciliation of cash</b>		
Cash and cash equivalents comprise:		
Cash assets		
Cash	674	587
Short-term deposits	1 144	965
Total cash assets	1 818	1 552
Bank overdrafts <sup>(a)</sup>	(133)	(21)
Total cash and cash equivalents	1 685	1 531
<b>Reconciliation of net cash provided by operating activities to net profit</b>		
Net profit	3 499	1 900
Depreciation and amortisation	1 793	1 689
Share of net profit of joint venture and associated entities less dividends	(20)	33
Capitalised borrowing costs	(97)	(103)
Exploration, evaluation and development expense (excluding diminution)	284	248
Net gain on sale of non-current assets	(101)	(34)
Discounting on provisions and other liabilities	111	97
Closure plans	534	–
Dalmine Settlement	(66)	–
Diminution of property, plant and equipment, investments and intangibles	116	73
Employee share awards	96	70
Exchange differences on Group debt	104	115
Change in assets and liabilities net of effects from acquisitions and disposals of controlled entities and exchange fluctuations		
Increase in inventories	(356)	(250)
Increase in deferred charges	(80)	(118)
Increase in trade receivables	(560)	(264)
Decrease/(increase) in sundry receivables	35	(98)
Decrease in income taxes payable	(19)	(189)
(Decrease)/increase in deferred taxes	(439)	87
Increase in trade creditors	259	132
Increase in sundry creditors	132	112
Decrease in interest payable	(2)	(14)
Increase in other provisions and liabilities	84	226
Other movements <sup>(b)</sup>	3	(79)
<b>Net cash provided by operating activities</b>	<b>5 310</b>	<b>3 633</b>

## 36 Notes to the Statement of Cash Flows continued

	2004 US\$M	2003 US\$M
<b>Carrying amount of controlled entities demerged or disposed</b>		
Value of assets and liabilities of entities demerged or disposed of:		
Cash and cash equivalents	5	86
Investments (current)	–	1
Receivables (current)	14	304
Inventories (current)	2	284
Other (current)	1	8
Receivables (non-current)	3	7
Investments (non-current)	–	91
Inventories (non-current)	–	35
Property, plant and equipment	77	1 881
Other (non-current)	6	26
Payables and interest bearing liabilities (current)	(4)	(346)
Provisions (current)	(2)	(102)
Payables and interest bearing liabilities (non-current)	–	(54)
Provisions (non-current)	(55)	(339)
Net outside equity interests disposed	–	(21)
Net identifiable assets	47	1 861
Net consideration received		
Cash <sup>(c)(d)</sup>	53	347
Deferred tax benefit	–	6
Settlement of capital reduction	–	1 489
Profit/(loss) on demerger or disposal	6	(19)
<b>Non-cash financing and investing activities</b>		
Other:		
Employee Share Plan loan instalments <sup>(e)</sup>	1	2

Company	Profit/(loss) attributable to members of the BHP Billiton Group arising on disposal US\$M	Fair value of net tangible assets on disposal US\$M
<b>Material demergers and disposals</b>		
2003		
BHP Steel Limited Group	(19)	1 861

There were no material acquisitions in 2004 or 2003.

There were no material demergers or disposals in 2004.

(a) Refer note 25.

(b) In the year ended 30 June 2003, amounts include the demerged BHP Steel business.

(c) There was no deferred consideration received in 2004 or 2003 for controlled entities sold in prior years.

(d) The impact on the BHP Billiton Group's cash flows of the demerger of the BHP Steel business in July 2002, was a cash inflow of US\$347 million. This represents US\$294 million from the settlement by BHP Steel of intercompany loans, less US\$22 million demerger transaction costs paid, which are both included in proceeds from sale or partial sale, of controlled entities, joint venture and associated entities' interests net of their cash, and US\$75 million from the sale of the 6 per cent interest in BHP Steel which is included in proceeds from sale or redemption of investments.

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

**37 Standby arrangements, unused credit facilities**

	Facility available 2004 US\$M	Used 2004 US\$M	Unused 2004 US\$M	Facility available 2003 US\$M	Used 2003 US\$M	Unused 2003 US\$M
<b>BHP Billiton Group</b>						
<i>Bank standby and support arrangements</i>						
Revolving credit facilities	2 500	–	2 500	3 500	138	3 362
Overdraft facilities	184	133	51	71	21	50
Total financing facilities	2 684	133	2 551	3 571	159	3 412

Details of major standby and support arrangements are as follows:

**Revolving credit facility**

The BHP Billiton Group has a US\$2.5 billion multi-currency revolving credit facility comprising Tranches A and B of US\$1.25 billion each. Tranche A of this facility, which matured in September 2003, was extended for a further period of 364 days with a maturity of September 2004. Tranche B of the facility has a maturity date of September 2006.

In July 2003, the Group cancelled a US\$1 billion revolving credit facility that was available to one of its wholly-owned subsidiaries.

The BHP Billiton Group has access to short-term finance under an A\$2 billion Australian commercial paper program and a US\$2 billion US commercial paper program. There was no commercial paper outstanding under the commercial paper programs at 30 June 2004 (2003: US\$138 million). The commercial paper programs are supported by Tranche B of the US\$2.5 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 2004, total overdraft facilities utilised by various entities within the Group was US\$133 million (2003: US\$21 million).



## 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. Legacy hedge positions which existed prior to the adoption of the Portfolio Risk Management strategy have been allowed to run-off. 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 profit and loss account 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 then 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.

#### 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 designated 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.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

## 38 Financial instruments continued

**Interest rate risk**

2004	Note	Weighted average interest rate <sup>(a)</sup>	Floating interest rate	Fixed interest maturing in:				Non-interest bearing	Total
				1 year or less	1 to 2 years	2 to 5 years	More than 5 years		
<b>Financial assets</b>									
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
<b>Financial liabilities</b>									
Payables		–	–	–	–	–	–	2 746	2 746
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%	119	7	7	23	80	34	270
Employee benefits <sup>(b)</sup>	26,29	5.9%	72	–	–	–	–	550	622
			4 158	300	655	194	1 318	3 330	9 955
<b>Interest rate swaps <sup>(c)</sup></b>			(2 263)	–	281	1 132	850		

## 38 Financial instruments continued

2003	Note	Weighted average interest rate <sup>(a)</sup>	Floating interest rate	Fixed interest maturing in:				Non-interest bearing	Total
				1 year or less	1 to 2 years	2 to 5 years	More than 5 years		
<b>Financial assets</b>									
Cash	36	1.0%	1 522	30	–	–	–	–	1 552
Receivables		7.0%	352	–	–	24	10	2 564	2 950
Other financial assets	14,19	9.9%	129	–	8	–	7	147	291
			2 003	30	8	24	17	2 711	4 793
<b>Financial liabilities</b>									
Payables		–	–	–	–	–	–	2 359	2 359
Bank overdrafts (unsecured)	25	1.9%	21	–	–	–	–	–	21
Bank loans	25,28	8.2%	613	40	45	–	–	–	698
Commercial paper	28	1.2%	138	–	–	–	–	–	138
Notes and debentures	25,28	4.5%	1 705	150	176	1 191	1 073	–	4 295
Non-recourse finance	25,28	2.8%	803	–	–	103	–	–	906
Secured debt (limited recourse)	25,28	6.3%	191	22	26	100	167	–	506
Lease liabilities	25,28	6.7%	37	2	–	10	4	–	53
Redeemable preference shares	28	5.3%	150	–	–	300	–	–	450
Other interest bearing liabilities	25,28	6.0%	109	11	7	21	78	31	257
Employee benefits <sup>(b)</sup>	26,29	5.0%	70	–	–	–	–	477	547
			3 837	225	254	1 725	1 322	2 867	10 230
<b>Interest rate swaps<sup>(c)</sup></b>			(1 522)	–	–	281	1 241		

(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) The interest rate swaps result in fixed rate debt of US\$2 263 million (2003: US\$1 522 million) being shown as floating rate debt.

**Combined interest rate and foreign currency risk**

2004	Floating rate <sup>(a)</sup> 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 of non-interest bearing liabilities Years
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
<b>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	136	14	1 193	1 343	8.73	5	2
Canadian dollars	–	–	90	90	–	–	1
Other	41	17	322	380	6.73	9	1
	4 158	2 467	3 330	9 955	7.42	8	1

## NOTES TO FINANCIAL STATEMENTS CONTINUED

## 38 Financial instruments continued

2003	Floating rate <sup>(a)</sup> 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 of non-interest bearing liabilities Years
<b>Financial assets</b>							
US dollars	1 578	27	1 664	3 269	4.87	3	2
South African rand	193	5	236	434	2.66	2	1
Australian dollars	14	23	524	561	7.39	3	2
Canadian dollars	144	2	19	165	1.08	1	1
Other	74	22	268	364	3.13	2	2
	2 003	79	2 711	4 793	5.00	3	2
<b>Financial liabilities</b>							
US dollars	3 278	3 349	1 118	7 745	6.56	7	1
South African rand	456	146	387	989	12.39	5	1
Australian dollars	95	16	1 075	1 186	7.88	6	1
Canadian dollars	–	–	34	34	–	–	1
Other	8	15	253	276	7.43	9	1
	3 837	3 526	2 867	10 230	6.81	7	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.

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 <sup>(a)</sup>		Cross currency swap amount <sup>(a)</sup>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
			%	%	%	%	US\$M	US\$M	US\$M	US\$M
<b>Interest rate swaps</b>										
<b>US dollar swaps</b>										
<i>Pay floating<sup>(b)</sup>/receive fixed</i>										
Later than five years	n/a	n/a	1.80	–	4.80	–	850	850	n/a	n/a
<b>Cross currency swaps</b>										
<b>Australian dollar to US dollar swaps</b>										
<i>Pay floating<sup>(b)</sup>/receive floating<sup>(b)</sup></i>										
Not later than one year	0.5217	–	1.61	–	5.68	–	–	–	130	–
Later than one year but not later than two years	–	0.5217	–	1.99	–	5.34	–	–	–	130
<i>Pay floating<sup>(b)</sup>/receive fixed</i>										
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	0.5620	1.96	2.55	6.25	7.50	391	281	391	281
Later than five years	–	0.5217	–	2.30	–	6.25	–	391	–	391
<b>Euro to US dollar swaps</b>										
<i>Pay floating<sup>(b)</sup>/receive fixed</i>										
Later than two years but not later than five years	0.9881	–	1.43	–	3.88	–	741	–	741	–
<i>Pay fixed/receive fixed</i>										
Later than two years but not later than five years	–	0.9881	–	3.88	–	4.38	n/a	n/a	–	741
							2 263	1 522	1 543	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.

## 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
- Translational exposure in respect of investments in overseas operations
- Translational exposure in respect of non-functional currency monetary items.

These potential currency exposures are discussed below.

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

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.

Legacy positions previously taken out prior to the BHP Billiton merger to hedge US dollar sales revenue earned by operations within the BHP Billiton Limited Group whose functional currency was not US dollars were redesignated at the time of the merger, as hedges of Australian dollar operating costs. These hedges expired during the 2004 financial year.

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'.

The following tables provide information about the principal currency hedge contracts.

**Forward exchange contracts**

	Weighted average exchange rate		Contract amounts	
	2004	2003	2004 US\$M	2003 US\$M
<b>Relating to capital expenditure hedging</b>				
<b>Forward contracts – sell US dollars/buy Australian dollars</b>				
Not later than one year	<b>0.7069</b>	0.5276	<b>361</b>	212
Later than one year but not later than two years	<b>0.6928</b>	0.5186	<b>334</b>	13
Later than two years but not later than three years	<b>0.6803</b>	–	<b>68</b>	–
Later than three years but not later than four years	<b>0.6715</b>	–	<b>1</b>	–
Total	<b>0.6983</b>	0.5271	<b>764</b>	225
<b>Relating to operating hedging</b>				
<b>Forward contracts – sell US dollars/buy Australian dollars</b>				
Not later than one year	<b>0.7101</b>	0.6240	<b>7</b>	732
Total	<b>0.7101</b>	0.6240	<b>7</b>	732
<b>Forward contracts – sell Australian dollars/buy US dollars</b>				
Not later than one year	<b>0.6882</b>	–	<b>58</b>	–
Total	<b>0.6882</b>	–	<b>58</b>	–
<b>Forward contracts – sell Euros/buy US dollars</b>				
Not later than one year	<b>0.8313</b>	0.9061	<b>136</b>	175
Later than one year but not later than two years	<b>0.8383</b>	0.8532	<b>57</b>	12
Later than two years but not later than three years	–	0.8584	–	6
Total	<b>0.8334</b>	0.9015	<b>193</b>	193
<b>Forward contracts – sell US dollars/buy Euros</b>				
Not later than one year	<b>0.9309</b>	1.0333	<b>3</b>	45
Later than one year but not later than two years	<b>0.9439</b>	0.9309	<b>2</b>	3
Later than two years but not later than three years	<b>0.9357</b>	0.9439	<b>22</b>	3
Later than three years but not later than four years	–	0.9357	–	22
Total	<b>0.9358</b>	0.9933	<b>27</b>	73

## NOTES TO FINANCIAL STATEMENTS CONTINUED

## 38 Financial instruments continued

	Weighted average exchange rate		Contract amounts	
	2004	2003	2004 US\$M	2003 US\$M
<b>Forward contracts – sell US dollars/buy UK pounds sterling</b>				
Not later than one year	–	0.6222	–	185
Total	–	0.6222	–	185
<b>Forward contracts – sell UK pounds sterling/buy US dollars</b>				
Not later than one year	<b>0.5571</b>	0.6232	<b>161</b>	46
Later than one year but not later than two years	<b>0.5726</b>	0.6483	<b>17</b>	8
Total	<b>0.5586</b>	0.6267	<b>178</b>	54
<b>Forward contracts – sell US dollars/buy South African rand</b>				
Not later than one year	<b>7.3677</b>	7.7743	<b>23</b>	58
Later than one year but not later than two years	<b>7.7686</b>	–	<b>12</b>	–
Later than two years but not later than three years	<b>8.1950</b>	–	<b>1</b>	–
Total	<b>7.5137</b>	7.7743	<b>36</b>	58
<b>Forward contracts – sell South African rand/buy US dollars</b>				
Not later than one year	<b>6.9940</b>	–	<b>45</b>	–
Total	<b>6.9940</b>	–	<b>45</b>	–

	Weighted average A\$/US\$ exchange rate		Weighted average A\$/US\$ exchange rate		Contract amounts	
	2004 A\$ Call options	2004 A\$ Put options	2003 A\$ Call options	2003 A\$ Put options	2004 US\$M	2003 US\$M
<b>Foreign exchange options – sell US dollars/buy Australian dollars</b>						
Not later than one year	–	–	–	0.6600	–	17
Total	–	–	–	0.6600	–	17

**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 movements in reserves.

Borrowings previously taken out in these currencies, or other borrowings swapped into these currencies, provided a natural hedge of the net foreign currency assets. These borrowings have since been swapped into US dollars.

In addition, where market conditions make it beneficial, the Group will borrow in currencies which will create translational exposure and will support the liability into the appropriate currency.

## 38 Financial instruments continued

**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 profit and loss account, with the exception of foreign exchange gains or losses on foreign currency provisions for restoration and rehabilitation which are capitalised in tangible fixed assets. These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

The combined interest rate and foreign currency risk table 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 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. These 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.

2004	Net foreign currency monetary assets/(liabilities)					Total US\$M
	US\$ US\$M	A\$ US\$M	C\$ US\$M	SA rand US\$M	Other US\$M	
<b>Functional currency of Group operation</b>						
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)

2003	Net foreign currency monetary assets/(liabilities)					Total US\$M
	US\$ US\$M	A\$ US\$M	C\$ US\$M	SA rand US\$M	Other US\$M	
<b>Functional currency of Group operation</b>						
US dollars	–	(1 399)	(203)	(1 089)	(261)	(2 952)
Australian dollars	21	–	–	–	–	21
Canadian dollars	30	–	–	–	–	30
UK pounds sterling	(23)	(1)	–	–	–	(24)
Other	–	–	–	6	–	6
	28	(1 400)	(203)	(1 083)	(261)	(2 919)

The South African rand monetary liabilities include borrowings raised in a variety of currencies, including US dollars and Euros, which, as a result of South African exchange control regulations, were subsequently swapped through forward exchange contracts into South African rand.

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

**Liquidity risk**

The US\$1.25 billion 364-day revolving credit component of the US\$2.5 billion syndicated multi-currency revolving credit facility that was due for expiry in September 2003 was extended for a further period of 364 days to September 2004. The US\$1.25 billion term component of the US\$2.5 billion syndicated multi-currency revolving credit facility expires in September 2006.

In November 2003, Standard & Poor's upgraded the BHP Billiton Group's long-term credit rating to A+ from A (the short-term credit rating is A-1). In May 2004, Moody's Investor Services changed the outlook of the Group's A2 long-term credit rating to positive from stable (the short-term credit rating is P-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.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 38 Financial instruments continued

The maturity profile of the Group's financial liabilities is as follows:

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	1 125	9	–	2 974	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
	6 061	76	450	3 368	9 955

2003	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	894	4	–	2 558	3 456
In more than one year but not more than two years	663	49	–	118	830
In more than two years but not more than five years	2 280	–	450	–	2 730
In more than five years	2 984	–	–	230	3 214
	6 821	53	450	2 906	10 230

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.

	Volume		Units	Average price of fixed contract		Term to maturity (months)	Notional amount of fixed contract <sup>(a)</sup>	
	2004	2003		2004 US\$	2003 US\$		2004 US\$M	2003 US\$M
<b>Aluminium</b>								
Forwards – buy fixed/sell floating <sup>(b)</sup>	507	792	000 tonnes	1 578	1 397	0–12	800	1 106
	52	112	000 tonnes	1 494	1 435	13–24	78	161
	23	50	000 tonnes	1 425	1 420	25–48	33	71
	–	1	000 tonnes	–	1 420	49–72	–	1
Forwards – sell fixed/buy floating <sup>(b)</sup>	622	826	000 tonnes	1 597	1 393	0–12	993	1 151
	32	127	000 tonnes	1 449	1 421	13–24	46	180
	14	35	000 tonnes	1 428	1 416	25–48	20	50
	–	1	000 tonnes	–	1 393	49–72	–	1



## 38 Financial instruments continued

	Volume		Units	Average price of fixed contract		Term to maturity (months)	Notional amount of fixed contract <sup>(a)</sup>	
	2004	2003		2004 US\$	2003 US\$		2004 US\$M	2003 US\$M
<b>Copper</b>								
Forwards – buy fixed/sell floating <sup>(b)</sup>	91	37	000 tonnes	2 560	1 675	0–12	233	62
	26	–	000 tonnes	2 249	–	13–24	58	–
	5	–	000 tonnes	2 070	–	25–48	10	–
Forwards – sell fixed/buy floating <sup>(b)</sup>	96	52	000 tonnes	2 538	1 661	0–12	244	87
	19	–	000 tonnes	2 228	–	13–24	42	–
	5	–	000 tonnes	2 018	–	25–48	10	–
<b>Zinc</b>								
Forwards – buy fixed/sell floating <sup>(b)</sup>	23	10	000 tonnes	1 086	794	0–12	25	8
	12	–	000 tonnes	1 110	–	13–24	13	–
	4	–	000 tonnes	1 060	–	25–48	4	–
Forwards – sell fixed/buy floating <sup>(b)</sup>	18	17	000 tonnes	1 075	804	0–12	19	14
	12	–	000 tonnes	1 066	–	13–24	13	–
	4	–	000 tonnes	1 083	–	25–48	4	–
<b>Lead</b>								
Forwards – buy fixed/sell floating <sup>(b)</sup>	28	25	000 tonnes	843	466	0–12	24	11
Forwards – sell fixed/buy floating <sup>(b)</sup>	19	65	000 tonnes	715	470	0–12	14	31
	–	8	000 tonnes	–	488	13–24	–	4
<b>Silver</b>								
Forwards – buy fixed/sell floating <sup>(b)</sup>	5 075	1 650	000 ounces	5.90	4.73	0–12	30	8
Forwards – sell fixed/buy floating <sup>(b)</sup>	600	7 475	000 ounces	5.86	4.70	0–12	4	35
<b>Petroleum</b>								
Forwards – buy fixed/sell floating <sup>(b)</sup>	5 819	8 668	000 barrels	31.19	25.45	0–12	182	221
	797	–	000 barrels	29.80	–	13–24	24	–
	500	–	000 barrels	26.08	–	25–48	13	–
Forwards – sell fixed/buy floating <sup>(b)</sup>	5 631	8 690	000 barrels	33.09	25.49	0–12	186	221
	1 222	–	000 barrels	30.13	–	13–24	37	–
	527	–	000 barrels	26.43	–	25–48	14	–
<b>Energy Coal</b>								
Forwards – buy fixed/sell floating <sup>(b)</sup>	20 070	20 451	000 tonnes	49.92	34.49	0–12	1 002	705
	4 740	5 820	000 tonnes	55.50	36.32	13–24	263	211
	600	870	000 tonnes	62.19	35.88	25–48	37	31
Forwards – sell fixed/buy floating <sup>(b)</sup>	20 765	23 515	000 tonnes	50.24	34.39	0–12	1 043	809
	5 385	7 035	000 tonnes	53.70	34.81	13–24	289	245
	1 020	735	000 tonnes	54.67	31.99	25–48	56	24
Purchased calls	–	105	000 tonnes	–	33.71	0–12	–	4
Sold puts	–	270	000 tonnes	–	32.11	0–12	–	9
Sold calls	–	645	000 tonnes	–	33.83	0–12	–	22
<b>Gas</b>								
Forwards (buy)	272 483	501 789	000 therms	0.42	0.34	0–12	114	171
	27 500	9 200	000 therms	0.33	0.29	13–24	9	3
	–	18 300	000 therms	–	0.28	25–48	–	5
Forwards (sell)	271 136	532 962	000 therms	0.42	0.34	0–12	114	181
	27 500	36 700	000 therms	0.34	0.29	13–24	9	11

## 38 Financial instruments continued

	Volume		Units	Average price of fixed contract		Term to maturity (months)	Notional amount of fixed contract <sup>(a)</sup>	
	2004	2003		2004 US\$	2003 US\$		2004 US\$M	2003 US\$M
<b>Electricity</b>								
Forwards (buy)	<b>29 157</b>	10 641	000 MWh	<b>37.66</b>	30.79	0–12	<b>1 098</b>	328
	<b>6 105</b>	4 706	000 MWh	<b>39.71</b>	33.31	13–24	<b>242</b>	157
	<b>450</b>	2 086	000 MWh	<b>44.04</b>	32.10	25–48	<b>20</b>	67
Forwards (sell)	<b>29 293</b>	12 413	000 MWh	<b>37.91</b>	30.65	0–12	<b>1 111</b>	380
	<b>6 100</b>	4 902	000 MWh	<b>40.45</b>	31.84	13–24	<b>247</b>	156
	<b>472</b>	687	000 MWh	<b>45.79</b>	36.11	25–48	<b>22</b>	25
<b>Freight Transport and Logistics</b>								
Forwards – buy fixed/sell floating <sup>(b)</sup>	<b>2 635</b>	3 550	days	<b>18 347</b>	12 256	0–12	<b>48</b>	44
	<b>733</b>	1 104	days	<b>23 462</b>	10 417	13–24	<b>17</b>	12
	<b>184</b>	–	days	<b>11 250</b>	–	25–48	<b>2</b>	–
Forwards – sell fixed/buy floating <sup>(b)</sup>	<b>2 769</b>	3 499	days	<b>20 627</b>	11 791	0–12	<b>56</b>	41
	<b>733</b>	920	days	<b>26 380</b>	10 680	13–24	<b>19</b>	10
Sold puts	<b>184</b>	–	days	<b>9 400</b>	–	0–12	<b>2</b>	–
Forwards – buy fixed/sell floating <sup>(b)</sup>	<b>2 025</b>	5 874	000 tonnes	<b>10.95</b>	8.77	0–12	<b>22</b>	52
	–	1 275	000 tonnes	–	6.63	13–24	–	8
Forwards – sell fixed/buy floating <sup>(b)</sup>	<b>1 950</b>	4 974	000 tonnes	<b>11.83</b>	8.82	0–12	<b>23</b>	44
	–	1 200	000 tonnes	–	6.84	13–24	–	8

(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.

### 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 others including South Korea, China, 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.

## 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 hedged 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 2004 US\$M	Losses 2004 US\$M	Net gains/ (losses) 2004 US\$M	Gains 2003 US\$M	Losses 2003 US\$M	Net gains/ (losses) 2003 US\$M
Opening balance unrecognised gains/(losses)	104	(17)	87	–	(175)	(175)
(Gains)/losses arising in previous years recognised in the year	(94)	16	(78)	–	139	139
Gains/(losses) arising in prior years and not recognised	10	(1)	9	–	(36)	(36)
Gains/(losses) arising in the year and not recognised	7	(93)	(86)	104	19	123
Closing balance unrecognised gains/(losses) <sup>(a)</sup>	17	(94)	(77)	104	(17)	87
of which:						
Gains/(losses) expected to be recognised within one year	7	(65)	(58)	94	(16)	78
Gains/(losses) expected to be recognised after one year	10	(29)	(19)	10	(1)	9
	17	(94)	(77)	104	(17)	87

<sup>(a)</sup> Full recognition will not appear in the Statement of Financial Performance as US\$26 million loss (2003: US\$56 million gain) will be capitalised into property, plant and equipment.

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

	Forward currency swaps 2004 US\$M	CCIRS interest component 2004 US\$M	Interest rate swaps 2004 US\$M	Finance lease swap <sup>(a)</sup> 2004 US\$M	Forward currency swaps 2003 US\$M	CCIRS interest component 2003 US\$M	Interest rate swaps 2003 US\$M	Finance lease swap <sup>(a)</sup> 2003 US\$M
Opening balance unrecognised gains	11	36	41	2	31	26	10	2
(Gains)/losses arising in previous years recognised in the year	(7)	–	–	(1)	(13)	(20)	–	1
Gains arising in prior years and not recognised	4	36	41	1	18	6	10	3
Gains/(losses) arising in the year and not recognised	(4)	(14)	(101)	–	(7)	30	31	(1)
Closing balance unrecognised gains/(losses)	–	22	(60)	1	11	36	41	2
of which:								
Gains/(losses) expected to be recognised within one year	–	(42)	(30)	–	7	–	–	1
Gains/(losses) expected to be recognised after one year	–	64	(30)	1	4	36	41	1
	–	22	(60)	1	11	36	41	2

<sup>(a)</sup> Included within the book value of short-term and long-term liabilities are finance leases which have been swapped from a fixed interest rate to a floating interest rate and from a ten-year term to a five-year term. The book value of these lease swaps is US\$24 million (2003: US\$15 million). The effect of the swap is to match the initial lease obligation by receiving payments over a ten-year period at a fixed rate and making payments on a floating rate over five years. For the purpose of the disclosures, the book value of the finance leases is shown as it would be excluding the effect of the finance lease swap. The fair value disclosures relate only to the swapped components and reflect the fact that the swap receivable is subject to a fixed rate.

## 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 2004 US\$M	Fair value 2004 US\$M	Book value 2003 US\$M	Fair value 2003 US\$M
<i>Primary and derivative financial instruments held or issued to finance the BHP Billiton Group's operations</i>				
Current interest bearing liabilities	(1 134)	(1 134)	(898)	(898)
Non-current interest bearing liabilities	(5 876)	(6 113)	(6 755)	(7 444)
<i>Cross currency contracts</i>				
Principal	399	399	314	314
Interest rate	43	65	30	77
Other liabilities to be settled in cash	(3 410)	(3 410)	(3 057)	(3 057)
Finance lease swap	24	25	15	17
Interest rate swaps	30	(30)	7	48
Cash and money market deposits	1 818	1 818	1 552	1 552
Loans to joint ventures and associates	238	238	293	293
Current financial assets	167	167	143	143
Non-current financial assets	123	202	148	153
Investment in exploration companies (refer note 19)	–	19	–	11
Other assets to be settled in cash	3 154	3 154	2 657	2 657
Forward foreign currency contracts	–	–	19	19
<i>Derivative financial instruments held to hedge the BHP Billiton Group's exposure on expected future sales and capital and operating purchases</i>				
Forward commodity contracts	–	(47)	–	(8)
Forward foreign currency contracts	(30)	(30)	95	95
	<b>(4 454)</b>	<b>(4 677)</b>	<b>(5 437)</b>	<b>(6 028)</b>

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.

### 39 Contingent liabilities

	2004 US\$M	2003 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 <sup>(b)</sup>	93	128
	93	128
Subsidiary undertakings (unsecured, including guarantees)		
Group guarantees of borrowings of joint ventures	–	398
Bank guarantees <sup>(a)</sup>	–	–
Performance guarantees <sup>(a)</sup>	1	70
Letter of credit	–	2
Other <sup>(b)</sup>	144	177
	145	647
<b>Total contingent liabilities</b>	<b>238</b>	<b>775</b>

<sup>(a)</sup> 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.

<sup>(b)</sup> 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.

**40 Commitments**

	2004 US\$M	2003 US\$M
<b>Capital expenditure commitments not provided for in the financial statements</b>		
Due not later than one year	1 321	1 184
Due later than one year and not later than five years	255	423
Total capital expenditure commitments	1 576	1 607
<b>Lease expenditure commitments</b>		
<b>Finance leases<sup>(a)</sup></b>		
Due not later than one year	10	7
Due later than one year and not later than five years	42	34
Due later than five years	54	26
Total commitments under finance leases	106	67
<i>deduct</i> Future financing charges	30	14
Finance lease liability	76	53
<b>Operating leases<sup>(b)</sup></b>		
Due not later than one year <sup>(c)</sup>	199	138
Due later than one year and not later than five years	393	348
Due later than five years	231	256
Total commitments under operating leases	823	742
<b>Other commitments<sup>(d)</sup></b>		
<b>Due not later than one year</b>		
Supply of goods and services	639	199
Royalties	33	29
Exploration expenditure	46	104
Chartering costs	156	100
	874	432
<b>Due later than one year and not later than five years</b>		
Supply of goods and services	1 304	547
Royalties	19	39
Exploration expenditure	13	53
Chartering costs	87	127
	1 423	766
<b>Due later than five years</b>		
Supply of goods and services	954	721
Royalties	42	49
Chartering costs	45	33
	1 041	803
Total other commitments	3 338	2 001

(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.

## 40 Commitments continued

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

	2004 US\$M	2003 US\$M
<b>Land and buildings</b>		
Leases which expire:		
Within one year	5	7
Between two and five years	14	17
Over five years	51	14
	<b>70</b>	<b>38</b>
<b>Other operating leases</b>		
Leases which expire:		
Within one year	29	22
Between two and five years	61	43
Over five years	39	35
	<b>129</b>	<b>100</b>

(d) Included in 'Other Commitments' is an amount of US\$704 million (2003: US\$738 million) representing Boodarie Iron's undiscounted continuing operating commitments under a number of take or pay contracts for supply of products/services. Boodarie Iron's operations have been suspended pending completion of a review as to whether or not the business is safe and economically viable. In the event that the operation is not re-opened, some or all of these commitments may require provisioning for losses in the financial statements.

#### 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\$154 million and US\$102 million for the years ended 30 June 2004 and 2003 respectively. The increase in contributions is mainly due to additional contributions to defined benefit pension funds required to

improve the funded status of these plans which had deteriorated in the year ended 30 June 2003 due to negative investment returns.

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:

	2004 US\$M	2003 US\$M
The pension charge for the year is as follows:		
Defined contribution schemes	53	41
Industry-wide schemes	26	23
Defined benefit schemes (a)		
Regular cost	40	46
Variation cost	41	39
Interest cost	(17)	(20)
	<b>143</b>	<b>129</b>

(a) Excludes net exchange gains on net monetary pension assets of US\$8 million (2003: US\$39 million).

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 2004 gives rise to an asset of US\$282 million (2003: US\$270 million) and a liability of US\$62 million (2003: US\$65 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\$19 million (2003: US\$26 million) excluding an exchange loss of US\$20 million (2003: US\$22 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:



## 41 Superannuation, pensions and post-retirement medical benefits continued

	South Africa %	US %	Canada %	Suriname %
Ultimate healthcare inflation rate	7.0	5.5	5.0	3.5
Discount rate	9.75	6.25	6.0	5.5

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 2004:

Name of fund	Fund type	Last reporting date	Accrued benefits <sup>(a)</sup>		Plan assets		Net surplus/(deficit)		Vested benefits <sup>(a)</sup>	
			2004 US\$M	2003 US\$M	2004 US\$M	2003 US\$M	2004 US\$M	2003 US\$M	2004 US\$M	2003 US\$M
BHP Billiton Superannuation Fund <sup>(a)(b)</sup>	Defined benefit/Defined contribution	30 June 2004	988	877	988	878	–	1	1 021	925
Other plans <sup>(c)(d)</sup>	Defined benefit	30 June 2004	1 037	816	929	717	(108)	(99)	1 037	803
<b>Total for BHP Billiton Group sponsored plans</b>			<b>2 025</b>	<b>1 693</b>	<b>1 917</b>	<b>1 595</b>	<b>(108)</b>	<b>(98)</b>	<b>2 058</b>	<b>1 728</b>

- (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. Accrued benefits at 30 June 2004 for the BHP Billiton Superannuation Fund have been calculated at a discount rate of 7.5 per cent. A movement of 0.5 per cent in the discount rate has an impact of US\$7 million on accrued benefits and the net surplus/deficit.
- (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 2004 (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.

**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 require the revised 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 the revised 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 recently released AASB 119 'Employee Benefits' which is based on the third option in the revised IAS 19 and requires the recognition of actuarial gains and losses directly in the Statement of Financial Performance in the reporting period in which they occur, hence removing the other options under IAS 19 to spread and defer the recognition of such gains and losses or taking actuarial gains and losses through the STRGL.

Apart from the treatment of actuarial gains and losses AASB 119 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.

## 41 Superannuation, pensions and post-retirement medical benefits continued

**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. For accounting disclosure purposes, full actuarial valuations for most

schemes were carried out as at 30 June 2004 by local actuaries.

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 & NZ %	Canada %	US %	Europe %	South Africa %	South America %
<b>Year ended 30 June 2004</b>						
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
<b>Year ended 30 June 2003</b>						
Salary increases	4 to 4.5	3.5 to 4.5	4.5	3 to 4.5	7 to 8	3.5 to 5.57
Pension increases	n/a	0	0 to 3	2 to 2.5	3.5 to 5.25	1.5 to 3.5
Discount rate	4.75 to 5	6 to 6.5	6	5	7.5 to 8.7	5.5 to 9.71
Inflation	3	2.5 to 3	3	2 to 2.5	6	2.5 to 3.5
<b>Year ended 30 June 2002</b>						
Salary increases	3 to 4.5	3.5 to 4.5	3.5 to 4.5	3 to 4.75	7.75 to 9	2 to 5.57
Pension increases	0	0	0 to 3	2.5 to 5	3.75 to 5.5	2 to 3.5
Discount rate	4.75 to 6	6.5 to 7	6.5 to 7	5.5 to 6	8.75 to 9.25	6 to 9.71
Inflation	2 to 3	2 to 3	2 to 3	2.5 to 2.75	7	2 to 3.5

## 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 & NZ US\$M	Canada US\$M	US US\$M	Europe US\$M	South Africa US\$M	South America US\$M	Total US\$M
<b>Year ended 30 June 2004</b>							
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
<b>Total assets</b>	<b>266</b>	<b>107</b>	<b>298</b>	<b>209</b>	<b>230</b>	<b>62</b>	<b>1 172</b>
Actuarial liabilities	(303)	(96)	(449)	(280)	(211)	(54)	(1 393)
Unrecognised surplus	–	(22)	–	–	(34)	(10)	(66)
<b>Deficit</b>	<b>(37)</b>	<b>(11)</b>	<b>(151)</b>	<b>(71)</b>	<b>(15)</b>	<b>(2)</b>	<b>(287)</b>
Related deferred tax asset	11	3	16	15	4	–	49
<b>Net pension liability</b>	<b>(26)</b>	<b>(8)</b>	<b>(135)</b>	<b>(56)</b>	<b>(11)</b>	<b>(2)</b>	<b>(238)</b>
<b>Year ended 30 June 2003</b>							
Bonds	68	60	58	64	23	46	319
Equities	147	28	187	64	69	1	496
Property	19	–	–	–	–	–	19
Cash and net current assets	–	13	5	23	17	–	58
Insured annuities	–	–	–	20	–	–	20
<b>Total assets</b>	<b>234</b>	<b>101</b>	<b>250</b>	<b>171</b>	<b>109</b>	<b>47</b>	<b>912</b>
Actuarial liabilities	(286)	(96)	(439)	(247)	(83)	(40)	(1 191)
Unrecognised surplus	–	(19)	–	–	(28)	(10)	(57)
<b>Deficit</b>	<b>(52)</b>	<b>(14)</b>	<b>(189)</b>	<b>(76)</b>	<b>(2)</b>	<b>(3)</b>	<b>(336)</b>
Related deferred tax asset	16	4	17	12	–	–	49
<b>Net pension liability</b>	<b>(36)</b>	<b>(10)</b>	<b>(172)</b>	<b>(64)</b>	<b>(2)</b>	<b>(3)</b>	<b>(287)</b>
<b>Year ended 30 June 2002</b>							
Bonds	163	52	29	51	19	41	355
Equities	307	27	256	63	59	2	714
Property	64	–	–	–	–	–	64
Cash and net current assets	17	13	3	16	12	1	62
Insured annuities	–	–	–	16	–	–	16
<b>Total assets</b>	<b>551</b>	<b>92</b>	<b>288</b>	<b>146</b>	<b>90</b>	<b>44</b>	<b>1 211</b>
Actuarial liabilities	(634)	(81)	(400)	(179)	(62)	(31)	(1 387)
Unrecognised surplus	–	(21)	–	–	(29)	–	(50)
<b>Surplus/(deficit)</b>	<b>(83)</b>	<b>(10)</b>	<b>(112)</b>	<b>(33)</b>	<b>(1)</b>	<b>13</b>	<b>(226)</b>
Related deferred tax (liability)/asset	13	4	10	3	–	(4)	26
<b>Net pension asset/(liability)</b>	<b>(70)</b>	<b>(6)</b>	<b>(102)</b>	<b>(30)</b>	<b>(1)</b>	<b>9</b>	<b>(200)</b>

## 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 & NZ %	Canada %	US %	Europe %	South Africa %	South America %
<b>Year ended 30 June 2004</b>						
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
<b>Total assets</b>	<b>7.5 to 7.53</b>	<b>3.75 to 7.23</b>	<b>6 to 8.5</b>	<b>5.51 to 7.52</b>	<b>10.3 to 11.01</b>	<b>6 to 10.24</b>
<b>Year ended 30 June 2003</b>						
Bonds	5 to 6	5.5 to 6.5	7	4.3 to 4.6	7.5 to 9.04	6 to 9.71
Equities	8 to 9	7.25 to 9	9	7.25 to 8.25	12	9.71
Property	7 to 8	n/a	n/a	n/a	n/a	n/a
Cash and net current assets	5	1 to 3.75	3.5	3.75 to 4.25	7 to 7.75	9.71
Insured annuities	n/a	n/a	n/a	5	n/a	n/a
<b>Total assets</b>	<b>7.5</b>	<b>3.75 to 7.5</b>	<b>8.5</b>	<b>4.8 to 7.2</b>	<b>9.9 to 10.55</b>	<b>6 to 9.71</b>
<b>Year ended 30 June 2002</b>						
Bonds	5 to 6.5	6 to 6.5	7	5 to 5.75	8.75 to 9.25	6 to 9.71
Equities	7 to 9	7.5 to 9.5	8.7	7.5 to 8	13 to 13.5	9.71
Property	6 to 8	n/a	n/a	n/a	n/a	n/a
Cash and net current assets	7.27	1 to 4	7	3 to 4	6.5 to 10	9.71
Insured annuities	n/a	n/a	n/a	6	n/a	n/a
<b>Total assets</b>	<b>6 to 8</b>	<b>4 to 6.9</b>	<b>8.5</b>	<b>4.5 to 7.2</b>	<b>10.45 to 11.75</b>	<b>6 to 9.71</b>

Analysis of the operating costs:

	Australia & NZ US\$M	Canada US\$M	US US\$M	Europe US\$M	South Africa US\$M	South America US\$M	Total US\$M
<b>Year ended 30 June 2004</b>							
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)
<b>Total operating charge</b>	<b>26</b>	<b>3</b>	<b>14</b>	<b>11</b>	<b>4</b>	<b>4</b>	<b>62</b>
<b>Year ended 30 June 2003</b>							
Current service cost	19	2	10	9	3	–	43
Curtailment losses/(gains)	(21)	2	–	–	–	–	(19)
Previously unrecognised surplus deducted from curtailment losses	–	(2)	–	–	–	–	(2)
<b>Total operating charge</b>	<b>(2)</b>	<b>2</b>	<b>10</b>	<b>9</b>	<b>3</b>	<b>–</b>	<b>22</b>

## 41 Superannuation, pensions and post-retirement medical benefits continued

## Analysis of the financing credits/(costs):

	Australia & NZ US\$M	Canada US\$M	US US\$M	Europe US\$M	South Africa US\$M	South America US\$M	Total US\$M
<b>Year ended 30 June 2004</b>							
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
<b>Year ended 30 June 2003</b>							
Expected return on pension scheme assets	19	4	24	10	8	2	67
Interest on pension scheme liabilities	(13)	(5)	(27)	(11)	(6)	(2)	(64)
Net return/(cost)	6	(1)	(3)	(1)	2	–	3

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

	Australia & NZ US\$M	Canada US\$M	US US\$M	Europe US\$M	South Africa US\$M	South America US\$M	Total US\$M
<b>Year ended 30 June 2004</b>							
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 STRGL	17	3	47	2	(14)	3	58
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%

## NOTES TO FINANCIAL STATEMENTS CONTINUED

## 41 Superannuation, pensions and post-retirement medical benefits continued

	Australia & NZ US\$M	Canada US\$M	US US\$M	Europe US\$M	South Africa US\$M	South America US\$M	Total US\$M
<i>Year ended 30 June 2003</i>							
Actual return less expected return on pension scheme assets	(24)	(1)	(24)	(11)	(11)	10	(61)
Experience gains/(losses) arising on scheme liabilities	17	(2)	6	(7)	(1)	(9)	4
Changes in assumptions underlying the present value of scheme liabilities	(16)	(4)	(47)	(26)	1	(3)	(95)
Other gains/(losses)	–	2	–	–	–	(13)	(11)
Loss pursuant to legislative change with regard to South African surpluses	–	–	–	–	9	–	9
Total actuarial gain/(loss) recognised in STRGL	(23)	(5)	(65)	(44)	(2)	(15)	(154)
Difference between expected and actual outcomes:							
Asset gain/(loss) as a percentage of scheme assets	(10.3%)	(1.0%)	(9.6%)	(6.4%)	(10.1%)	21.3%	(6.7%)
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	5.9%	(2.1%)	1.4%	(2.8%)	(1.2%)	(22.5%)	0.3%
Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	(8.0%)	(5.2%)	(14.8%)	(17.8%)	(2.4%)	(37.5%)	(12.9%)
<i>Year ended 30 June 2002</i>							
Actual return less expected return on pension scheme assets	(82)	(3)	(78)	(18)	(1)	31	(151)
Experience gains (losses) arising on scheme liabilities	33	–	–	8	(7)	(18)	16
Changes in assumptions underlying the present value of scheme liabilities	–	–	(23)	(15)	(2)	–	(40)
Other gains/(losses)	–	(1)	6	–	–	–	5
Loss pursuant to legislative change with regard to South African surpluses	–	–	–	–	(29)	–	(29)
Total actuarial gain/(loss) recognised in STRGL	(49)	(4)	(95)	(25)	(39)	13	(199)
Difference between expected and actual outcomes:							
Asset gain/(loss) as a percentage of scheme assets	(14.9%)	(3.3%)	(27.1%)	(12.3%)	(1.1%)	70.5%	(12.5%)
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	5.2%	0%	0%	4.5%	(11.3%)	(58.1%)	1.2%
Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	(7.7%)	(4.9%)	(23.8%)	(14.0%)	(62.9%)	41.9%	(14.3%)

## 41 Superannuation, pensions and post-retirement medical benefits continued

In the year ended 30 June 2002, the Pension Funds Second Amendment Act, 2001, was passed in South Africa. Under this Act, surpluses in pension funds must 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, it is considered unlikely that any BHP Billiton Group company will obtain any benefit from the surpluses in the South African schemes. Therefore the reduction in the recognised surpluses in South Africa is recognised as an actuarial loss in STRGL.

Analysis of the movement in surplus/(deficit):

	Australia & NZ US\$M	Canada US\$M	US US\$M	Europe US\$M	South Africa US\$M	South America US\$M	Total US\$M
<b>Year ended 30 June 2004</b>							
Deficit in schemes at 30 June 2003	(52)	(14)	(189)	(76)	(2)	(3)	(336)
<i>Movement during the year:</i>							
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)
<b>Year ended 30 June 2003</b>							
Surplus/(deficit) in schemes at 30 June 2002	(83)	(10)	(112)	(33)	(1)	13	(226)
<i>Movement during the year:</i>							
Adjustment to surplus/(deficit) at 1 July 2002 in respect of companies no longer consolidated	38	2	–	–	–	–	40
Current service cost	(19)	(2)	(10)	(9)	(3)	–	(43)
Contributions	16	4	1	15	2	–	38
Other finance income/(costs)	6	(1)	(3)	(1)	2	–	3
Actuarial losses	(23)	(5)	(65)	(44)	(2)	(15)	(154)
Curtailment gains	21	–	–	–	–	–	21
Exchange losses	(8)	(2)	–	(4)	–	(1)	(15)
Deficit in schemes at 30 June 2003	(52)	(14)	(189)	(76)	(2)	(3)	(336)

## 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 2004, 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 %
<b>Year ended 30 June 2004</b>					
Ultimate healthcare inflation rate	7.25	5	5	3.5	5.7
Discount rate	10	6.25	6	5.5	2.5
<b>Year ended 30 June 2003</b>					
Ultimate healthcare inflation rate	7	5.5	5	3.5	n/a
Discount rate	9.75	6.25	6	5.5	n/a
<b>Year ended 30 June 2002</b>					
Ultimate healthcare inflation rate	9	5	3	5	4.5
Discount rate	11.75	7	6.5	5.5 to 6.5	6

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
<b>Year ended 30 June 2004</b>						
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)
<b>Year ended 30 June 2003</b>						
Present value of scheme liabilities	(133)	(137)	(26)	(19)	–	(315)
Past service credit	(20)	–	–	–	–	(20)
Deficit	(153)	(137)	(26)	(19)	–	(335)
Related deferred tax asset	34	22	–	6	–	62
Net post-retirement liability	(119)	(115)	(26)	(13)	–	(273)
<b>Year ended 30 June 2002</b>						
Present value of scheme liabilities	(54)	(127)	(18)	(19)	(1)	(219)
Past service credit	(18)	–	–	–	–	(18)
Deficit	(72)	(127)	(18)	(19)	(1)	(237)
Related deferred tax asset	16	19	–	6	–	41
Net post-retirement liability	(56)	(108)	(18)	(13)	(1)	(196)



## 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
<b><i>Year ended 30 June 2004</i></b>						
Current service cost	3	3	–	–	–	6
Past service cost/(credit)	16	1	–	–	–	17
Total operating charge	19	4	–	–	–	23
<b><i>Year ended 30 June 2003</i></b>						
Current service cost	2	4	–	–	–	6
Past service cost/(credit)	1	7	–	–	–	8
Total operating charge	3	11	–	–	–	14

## 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
<b><i>Year ended 30 June 2004</i></b>						
Interest on post-retirement liabilities	(14)	(8)	(1)	(1)	–	(24)
Net return/(cost)	(14)	(8)	(1)	(1)	–	(24)
<b><i>Year ended 30 June 2003</i></b>						
Interest on post-retirement liabilities	(11)	(8)	(1)	(1)	–	(21)
Net return/(cost)	(11)	(8)	(1)	(1)	–	(21)

NOTES TO FINANCIAL STATEMENTS CONTINUED

41 Superannuation, pensions and post-retirement medical benefits continued

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
<b>Year ended 30 June 2004</b>						
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%	0.0%	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%	0.0%	0.0%	10.9%
<b>Year ended 30 June 2003</b>						
Experience gains arising on scheme liabilities	(27)	15	1	–	–	(11)
Changes in assumptions underlying the present value of scheme liabilities	(9)	(16)	(7)	–	–	(32)
Actuarial loss recognised in STRGL	(36)	(1)	(6)	–	–	(43)
Difference between expected and actual outcomes:						
Experience gains on scheme liabilities as a percentage of the present value of scheme liabilities	(20.3%)	10.9%	3.8%	0%	0%	(3.5%)
Total loss recognised in STRGL as a percentage of the present value of scheme liabilities	(27.1%)	(0.7%)	(23.1%)	0%	0%	(13.7%)
<b>Year ended 30 June 2002</b>						
Experience gains arising on scheme liabilities	8	(6)	–	–	–	2
Changes in assumptions underlying the present value of scheme liabilities	(10)	–	–	(1)	–	(11)
Actuarial loss recognised in STRGL	(2)	(6)	–	(1)	–	(9)
Difference between expected and actual outcomes:						
Experience gains on scheme liabilities as a percentage of the present value of scheme liabilities	14.8%	(4.7%)	0%	0%	0%	0.9%
Total loss recognised in STRGL as a percentage of the present value of scheme liabilities	(3.7%)	(4.7%)	0%	(5.3%)	0%	(4.1%)

## 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
<b>Year ended 30 June 2004</b>						
Deficit in schemes at 30 June 2003	(153)	(137)	(26)	(19)	–	(335)
<i>Movement during the year:</i>						
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)

	South Africa US\$M	US US\$M	Canada US\$M	Suriname US\$M	UK US\$M	Total US\$M
<b>Year ended 30 June 2003</b>						
Deficit in schemes at 30 June 2002	(72)	(127)	(18)	(19)	(1)	(237)
<i>Movement during the year:</i>						
Adjustment at 1 July 2002 in respect of changes in joint venture arrangements and other plan changes	–	–	–	–	1	1
Current service cost	(2)	(4)	–	–	–	(6)
Contributions	5	10	2	1	–	18
Past service costs	(1)	(7)	–	–	–	(8)
Other finance costs	(11)	(8)	(1)	(1)	–	(21)
Actuarial losses	(36)	(1)	(6)	–	–	(43)
Exchange losses	(36)	–	(3)	–	–	(39)
Deficit in schemes at 30 June 2003	(153)	(137)	(26)	(19)	–	(335)

**Joint ventures and associates – 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 and associates at 30 June 2004, a deficit of approximately US\$49 million (2003: US\$50 million) would have been recognised in the Statement of Financial Position and actuarial gains of approximately US\$12 million (2003: actuarial losses of US\$35 million) would have been recognised in the Group STRGL.

**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

D A Crawford

C A Herkströter\*

Dr D A Jenkins

Lord Renwick of Clifton

Dr J M Schubert

\* Retired as of 24 October 2003.

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

The following persons were the executives with the greatest authority for the strategic direction and management of the Group ('specified executives') during the current financial year, except as indicated:

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
D J Munro**	Chief Development Officer	BHP Billiton Plc

\* Became a specified executive as of 16 March 2004.

\*\* Resigned from the Group as of 18 January 2004.

## 42 Directors' and executives' disclosures continued

**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 2004 ('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 3 – Remuneration structure (excluding sub-section 3.2.2);
- Section 4 – Executive Directors; and
- Section 6.1 – Non-executive Directors – Remuneration policy.

**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**

2004  Name	Primary benefits			Post-employment benefits	Equity compensation <sup>(a)(b)</sup>		Total  US\$
	Base salary, fees and allowances US\$	Annual cash bonus US\$	Other benefits <sup>(c)</sup> US\$	Retirement benefits US\$	Value of deferred shares and options US\$	Share-based compensation – long-term US\$	
D R Argus AO	244 500	–	–	12 660	–	–	257 160
C W Goodyear	1 250 000	1 070 125	321 071	600 000	611 956	590 330	4 443 482
M Salamon	1 197 666	852 089	42 581	655 123	469 575	622 057	3 839 091
Dr D C Brink	94 500	–	5 619	–	–	–	100 119
Dr J G Buchanan	108 500	–	–	–	–	–	108 500
M A Chaney <sup>(d)</sup>	79 000	–	1 826	3 165	–	–	83 991
D A Crawford	101 000	–	–	3 561	–	–	104 561
C A Herkströter <sup>(e)</sup>	27 371	–	2 553	–	–	–	29 924
Dr D A Jenkins	110 000	–	–	–	–	–	110 000
Lord Renwick of Clifton	73 000	–	–	–	–	–	73 000
Dr J M Schubert	80 500	–	–	3 165	–	–	83 665
<b>Total</b>	<b>3 366 037</b>	<b>1 922 214</b>	<b>373 650</b>	<b>1 277 674</b>	<b>1 081 531</b>	<b>1 212 387</b>	<b>9 233 493</b>

<sup>(a)</sup> The amount in respect of equity compensation represents the estimated value of awards granted under the applicable schemes. Fair values at grant date are independently determined using a Black-Scholes option pricing model (taking no account of Performance Hurdles) that takes into account 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.

<sup>(b)</sup> Equity compensation is to be included over the vesting period.

<sup>(c)</sup> 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.

<sup>(d)</sup> M A Chaney has requested that fees payable to him be paid instead to his employer Wesfarmers Limited.

<sup>(e)</sup> Retired as a non-executive Director as of 24 October 2003.

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.

This is the first financial report prepared since the issue of AASB 1046 'Director and Executive Disclosures by Disclosing Entities', and accordingly, in line with its requirements, comparative information is not presented.

## 42 Directors' and executives' disclosures continued

*Specified executives of the BHP Billiton Group*

2004	Primary benefits			Post-employment benefits	Equity compensation <sup>(a)(b)</sup>		Total
	Base salary	Annual cash bonus	Other benefits <sup>(c)</sup>	Retirement benefits	Value of deferred shares	Share-based compensation – long-term	
Name	US\$	US\$	US\$	US\$	US\$	US\$	US\$
P S Aiken	882 427	642 716	519 032	318 556	373 317	490 128	3 226 176
J C Fast	638 944	591 726	–	229 381	317 123	384 082	2 161 256
R W Kirkby <sup>(d)</sup>	203 710	184 306	372	74 558	99 456	101 912	664 314
Dr M J Kloppers	719 262	647 228	158 398	320 817	328 009	350 018	2 523 732
C J Lynch	716 480	613 680	27 272	248 619	342 398	390 901	2 339 350
D J Munro <sup>(e)</sup>	500 157	–	83 067	–	–	–	583 224
Total	3 660 980	2 679 656	788 141	1 191 931	1 460 303	1 717 041	11 498 052

(a) The amount in respect of equity compensation represents the estimated value of awards granted under the applicable schemes. Fair values at grant date are independently determined using a Black-Scholes option pricing model (taking no account of Performance Hurdles) that takes into account 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.

(b) Equity compensation is to be included over the vesting period.

(c) 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.

(d) The remuneration of R W Kirkby represents his remuneration for the period since he became a specified executive on 16 March 2004. Details of his total remuneration for the year to 30 June 2004 of US\$2 272 323 are disclosed in section 5.2 of the Remuneration Report.

(e) Resigned from the Group as of 18 January 2004. As all awards under share incentive plans lapsed on resignation, no amount of remuneration for such plans has been attributed to D J Munro for the period.

This is the first financial report prepared since the issue of AASB 1046 'Director and Executive Disclosures by Disclosing Entities', and accordingly, in line with its requirements, comparative information is not presented.

**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:

**Executive Directors**

Section 4 – Executive Directors.

**Non-executive Directors**

Section 6.1 – Non-Executive Directors – Remuneration Policy.

**Specified executives**

Section 5.1 – Service contracts.

Section 5.3 – Group Incentive Scheme.

Section 5.5 – Retirement benefits.

## 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 2004, 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 2004, all of which were granted as remuneration. Details on the long-term incentive plans of R W Kirkby relate to the period from 16 March 2004, the date he became a specified executive. No Options held by specified executives are vested but not exercisable, except where stated.

**Employee Share Plan 1999**

Name	BHP Billiton Limited Ordinary Shares under option					Exercise price <sup>(a)</sup>	First exercise date	Expiry date
	At 1 July 2003	Granted	Exercised	Lapsed	At 30 June 2004			
P S Aiken <sup>(b)</sup>	516 275	–	516 275	–	–	A\$6.92	23 April 2002	22 April 2009
J C Fast <sup>(c)</sup>	413 020	–	413 020	–	–	A\$8.61	23 April 2002	22 April 2009
<b>Total</b>	<b>929 295</b>	<b>–</b>	<b>929 295</b>	<b>–</b>	<b>–</b>			

<sup>(a)</sup> Represents the exercise price payable on Options.

<sup>(b)</sup> The market price on the date of exercise (2 September 2003) was approximately A\$11.23. The aggregate gain was A\$ 2 225 268.

<sup>(c)</sup> The market price on the date of exercise (6 April 2004) was approximately A\$12.53. The aggregate gain was A\$ 1 619 140.

**Group Incentive Scheme 2003 Deferred Shares**

Name	Ordinary Shares under award					At 30 June 2004	Vesting date
	At 1 July 2003	Granted <sup>(a)</sup>	Vested	Lapsed <sup>(b)</sup>			
P S Aiken <sup>(c)</sup>	–	69 815	–	–	–	<b>69 815</b>	August 2005
J C Fast <sup>(c)</sup>	–	54 782	–	–	–	<b>54 782</b>	August 2005
R W Kirkby <sup>(c)(d)</sup>	–	58 031	–	–	–	<b>58 031</b>	August 2005
Dr M J Kloppers <sup>(e)</sup>	–	55 378	–	–	–	<b>55 378</b>	August 2005
C J Lynch <sup>(c)</sup>	–	61 010	–	–	–	<b>61 010</b>	August 2005
D J Munro <sup>(e)</sup>	–	49 307	–	49 307	–	–	August 2005
<b>Total</b>	<b>–</b>	<b>348 323</b>	<b>–</b>	<b>49 307</b>	<b>–</b>	<b>299 016</b>	

<sup>(a)</sup> The market price of BHP Billiton Limited shares and BHP Billiton Plc shares on date of grant (21 November 2003) was A\$10.76 and £4.32 respectively. The fair market value per Deferred Share was A\$10.03 and £3.98 respectively.

<sup>(b)</sup> Shares lapsed on D J Munro's resignation, in accordance with the rules of the GIS.

<sup>(c)</sup> Granted BHP Billiton Limited awards.

<sup>(d)</sup> Shares granted represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.

<sup>(e)</sup> Granted BHP Billiton Plc awards.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 42 Directors' and executives' disclosures continued

#### Group Incentive Scheme 2003 Performance Shares

Name	Ordinary Shares under award				At 30 June 2004	Vesting date
	At 1 July 2003	Granted <sup>(a)</sup>	Vested	Lapsed <sup>(b)</sup>		
P S Aiken <sup>(c)</sup>	–	69 815	–	–	<b>69 815</b>	August 2006
J C Fast <sup>(c)</sup>	–	54 782	–	–	<b>54 782</b>	August 2006
R W Kirkby <sup>(c)(d)</sup>	–	58 031	–	–	<b>58 031</b>	August 2006
Dr M J Kloppers <sup>(e)</sup>	–	55 378	–	–	<b>55 378</b>	August 2006
C J Lynch <sup>(c)</sup>	–	61 010	–	–	<b>61 010</b>	August 2006
D J Munro <sup>(e)</sup>	–	49 307	–	49 307	–	August 2006
<b>Total</b>	–	<b>348 323</b>	–	<b>49 307</b>	<b>299 016</b>	

(a) The market price of BHP Billiton Limited shares and BHP Billiton Plc shares on date of grant (21 November 2003) was A\$10.76 and £4.32 respectively. The fair market value per Performance Share was A\$4.58 and £1.84 respectively.

(b) Shares lapsed on D J Munro's resignation, in accordance with the rules of the GIS.

(c) Granted BHP Billiton Limited awards.

(d) Shares granted represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.

(e) Granted BHP Billiton Plc awards.

#### Group Incentive Scheme 2002 Performance Shares

Name	Ordinary Shares under award				At 30 June 2004	Vesting date
	At 1 July 2003	Granted	Vested	Lapsed <sup>(a)</sup>		
P S Aiken	158 118	–	–	–	<b>158 118</b>	August 2005
J C Fast	115 921	–	–	–	<b>115 921</b>	August 2005
R W Kirkby <sup>(b)</sup>	110 391	–	–	–	<b>110 391</b>	August 2005
Dr M J Kloppers	119 485	–	–	–	<b>119 485</b>	August 2005
C J Lynch	117 117	–	–	–	<b>117 117</b>	August 2005
D J Munro	147 263	–	–	147 263	–	August 2005
<b>Total</b>	<b>768 295</b>	–	–	<b>147 263</b>	<b>621 032</b>	

(a) Shares lapsed on D J Munro's resignation, in accordance with the rules of the GIS.

(b) Shares at 1 July 2003 of 110 391 represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.

#### Performance Share Plan 2001

Name	BHP Billiton Limited Ordinary Shares under award				At 30 June 2004	Vesting date
	At 1 July 2003	Granted	Vested	Lapsed		
P S Aiken	131 856	–	–	–	<b>131 856</b>	1 October 2004
J C Fast	107 093	–	–	–	<b>107 093</b>	1 October 2004
R W Kirkby <sup>(a)</sup>	82 330	–	–	–	<b>82 330</b>	1 October 2004
C J Lynch	109 559	–	–	–	<b>109 559</b>	1 October 2004
<b>Total</b>	<b>430 838</b>	–	–	–	<b>430 838</b>	

(a) Shares at 1 July 2003 of 82 330 represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.



## 42 Directors' and executives' disclosures continued

## Restricted Share Scheme 2001

	BHP Billiton Plc Ordinary Shares under award				At 30 June 2004	Vesting Date
	At 1 July 2003	Granted	Vested	Lapsed <sup>(a)</sup>		
Dr M J Kloppers	84 182	–	–	–	<b>84 182</b>	1 October 2004
D J Munro	179 645	–	–	179 645	–	1 October 2004
<b>Total</b>	<b>263 827</b>	<b>–</b>	<b>–</b>	<b>179 645</b>	<b>84 182</b>	

<sup>(a)</sup> Shares lapsed on D J Munro's resignation, in accordance with the rules of the RSS.

## Performance Share Plan 2000

Name	BHP Billiton Limited Ordinary Shares under award				At 30 June 2004	Vesting date
	At 1 July 2003	Granted	Vested <sup>(a)</sup>	Lapsed		
P S Aiken <sup>(b)</sup>	122 621	–	122 621	–	–	1 July 2003
J C Fast <sup>(c)</sup>	96 854	–	96 854	–	–	1 July 2003
C J Lynch <sup>(d)</sup>	61 987	–	61 987	–	–	1 July 2003
	43 592	–	–	–	43 592	1 July 2004
<b>Total</b>	<b>325 054</b>	<b>–</b>	<b>281 462</b>	<b>–</b>	<b>43 592</b>	

<sup>(a)</sup> 75 per cent of the Shares vested on 1 July 2003, following the end of the performance period, and the BHP Billiton Limited market price was A\$8.56. The remaining 25 per cent vested on 1 September 2003 and the BHP Billiton Limited market price was A\$11.00.

<sup>(b)</sup> The market price on the dates of exercise (3 September 2003 and 26 September 2003) were A\$11.07 and A\$10.53 respectively. The aggregate gain was A\$1 340 861.

<sup>(c)</sup> The market price on the dates of exercise (3 September 2003 and 22 September 2003) were A\$11.07 and A\$10.67 respectively. The aggregate gain was A\$1 062 232.

<sup>(d)</sup> The market price on the date of exercise (1 October 2003) was A\$10.24. The aggregate gain was A\$634 747.

## Performance Share Plan (Medium Term Incentive) 2001

Name	BHP Billiton Limited Ordinary Shares under award				At 30 June 2004	Vesting date
	At 1 July 2003 <sup>(a)</sup>	Granted	Vested	Lapsed <sup>(b)</sup>		
J C Fast	40 671	–	–	4 516	<b>36 155</b>	1 October 2005
R W Kirkby <sup>(c)</sup>	22 597	–	–	–	<b>22 597</b>	1 October 2005
<b>Total</b>	<b>63 268</b>	<b>–</b>	<b>–</b>	<b>4 516</b>	<b>58 752</b>	

<sup>(a)</sup> Includes 10 042 and 6 277 committed rights invested by J C Fast and R W Kirkby respectively.

<sup>(b)</sup> The first performance period ceased on 30 September 2003. Based on the performance measured at the end of the first performance period, 60 per cent out of a maximum of 80 per cent matching shares were capable of vesting. The remaining 20 per cent lapsed. Correspondingly, the maximum that can vest at the end of the second performance period has also been reduced. 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.

<sup>(c)</sup> Shares at 1 July 2003 of 22 597 represent the balance of awards held by R W Kirkby at 16 March 2004, the date he became a specified executive.

## Co-Investment Plan (CIP) 2001

Name	BHP Billiton Plc Ordinary Shares under award				At 30 June 2004	Vesting date
	At 1 July 2003 <sup>(a)</sup>	Granted	Vested	Lapsed <sup>(b)</sup>		
Dr M J Kloppers	107 206	–	–	11 911	<b>95 295</b>	1 October 2005

<sup>(a)</sup> Includes 26 471 committed shares invested by M J Kloppers.

<sup>(b)</sup> The first performance period ceased on 30 September 2003. Based on the performance measured at the end of the first performance period, 60 per cent out of a maximum of 80 per cent matching shares were capable of vesting. The remaining 20 per cent lapsed. Correspondingly, the maximum that can vest at the end of the second performance period has also been reduced. 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.

## 42 Directors' and executives' disclosures continued

## Bonus Equity Plan 2001

Name	BHP Billiton Limited Ordinary Shares under award				At 30 June 2004	Release date
	At 1 July 2003	Granted	Vested	Lapsed		
P S Aiken	77 404	–	–	–	<b>77 404</b>	November 2004
C J Lynch	18 692	–	–	–	<b>18 692</b>	November 2004
Total	96 096	–	–	–	<b>96 096</b>	

## Partly Paid Shares

Robert Kirkby	BHP Billiton Limited Ordinary Shares under award				At 30 June 2004	Unpaid amount <sup>(b)</sup>	First exercise date	Expiry date
	At 16 March 2004 <sup>(a)</sup>	Granted	Exercised	Lapsed				
ESS 1997	74 964	–	–	–	<b>74 964</b>	A\$6.83	n/a	1 October 2017
ESS 1996	107 090	–	–	–	<b>107 090</b>	A\$6.94	n/a	2 October 2016
ESS 1995	72 279	–	–	–	<b>72 279</b>	A\$ 8.17	n/a	4 October 2015
ESS 1994	108 255	–	–	–	<b>108 255</b>	A\$8.43	n/a	4 October 2014
Total	362 588	–	–	–	<b>362 588</b>			

<sup>(a)</sup> Includes accrued bonus shares to be issued upon conversion of partly paid shares. Shares at 16 March 2004 represent the balance of awards held by R W Kirkby on the date he became a specified executive.

<sup>(b)</sup> Represents the final call payable upon conversion of partly paid shares held at 30 June 2004, 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.

## 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 2003	Purchases	Received on exercise of options or rights	Other	Held at 30 June 2004
<b>Directors</b>					
D R Argus AO (b)	193 495	10 000	–	–	203 495
C W Goodyear (c)	247 813	–	390 994	–	638 807
	–	2 000	–	–	2 000
M Salamon (d)	977 282	–	–	–	977 282
Dr D C Brink (b)	39 377	–	–	–	39 377
Dr J G Buchanan	1 000	–	–	–	1 000
M A Chaney	12 338	–	–	–	12 338
D A Crawford (e)	29 127	–	–	–	29 127
C A Herkströter (b)(f)	10 642	–	–	(10 642)	–
Dr D A Jenkins	10 326	–	–	(8 260)	2 066
	–	10 000	–	–	10 000
Lord Renwick of Clifton	2 066	–	–	–	2 066
	6 385	6 000	–	–	12 385
Dr J M Schubert	23 675	–	–	–	23 675
<b>Specified executives</b>					
P S Aiken (g)	133 801	–	638 896	(416 275)	356 422
J C Fast (h)	2 945	–	509 874	(337 360)	175 459
R W Kirkby (i)	–	–	–	634 589	634 589
Dr M J Kloppers	–	–	–	–	–
C J Lynch (j)	18 692	–	61 987	–	80 679
D J Munro (k)	11 175	–	–	(11 175)	–

(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 2004, 955 433 shares were held by nominees.

(e) At 30 June 2004, 16 000 shares were held by nominees.

(f) C A Herkströter resigned on 24 October 2003 at which date he held 10 642 shares.

(g) At 30 June 2004, 77 404 shares were held by nominees.

(h) At 30 June 2004, 2 945 shares were held by nominees, including 929 in the form of endowment warrants.

(i) R W Kirkby became a specified executive on 16 March 2004, at which date he held 634 589 shares. At 16 March 2004 and at 30 June 2004, 170 000 of the shares were partly paid.

(j) At 30 June 2004, 18 692 shares were held by nominees.

(k) D J Munro resigned on 18 January 2004 at which date he held 11 175 shares.

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.

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

2004

Group	Balance at the start of the year <sup>(a)</sup> 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	11 826	372	10 755	1

<sup>(a)</sup> Balance at the start of year or at date of becoming a specified executive.

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\$18.698 million (2003: US\$5.015 million) to the Group in the financial year, in accordance with normal commercial terms and conditions. At 30 June 2004, the Group owed US\$0.492 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 A 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. P A Anderson received a total fee of US\$71 334 (2003: US\$104 739) under this arrangement.

## 43 Major interests in joint venture operations

Name	Country of operation	Principal activity	BHP Billiton Group's effective interest	
			30 June 2004 %	30 June 2003 %
Atlantis	US	Hydrocarbons development	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	25–33
Liverpool Bay	UK	Hydrocarbons exploration and production	46.1	46.1
Mad Dog	US	Hydrocarbons development	23.9	23.9
Mamore	Bolivia	Hydrocarbons exploration and production	–	50
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
ROD Integrated Development	Algeria	Hydrocarbons development	36.04	36.04
Shenzi	US	Hydrocarbons exploration	44	44
Trinidad 2c – Angostura	Trinidad & Tobago	Hydrocarbons development	45	45
Typhoon	US	Hydrocarbons exploration and production	50	50
Zamzama	Pakistan	Hydrocarbons exploration and production	38.5	38.5
Alumar	Brazil	– Alumina refining – Aluminium smelting	36 46.3	36 46.3
Billiton Suriname <sup>(a)</sup>	Suriname	– Bauxite mining – Alumina refining	45 45	76 45
Mozal	Mozambique	Aluminium smelting	47.1	47.1
Valesul Aluminio	Brazil	Aluminium smelting	45.5	45.5
Worsley	Australia	Bauxite mining and alumina 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

<sup>(a)</sup> At 30 June 2003 the BHP Billiton Group had an interest in the Suriname Lelydorp Bauxite mine of 76 per cent, the remaining 24 per cent being owned by Suriname Aluminium Company, LLC (Suralco). Effective 1 August 2003, the joint venture operation was restructured such that the BHP Billiton Group acquired a 45 per cent economic interest in the Suralco-owned Coermobito mine in exchange for an additional 31 per cent economic interest in the Lelydorp mine. The restructured 45 per cent (BHP Billiton) – 55 per cent (Suralco) arrangement consists of two unincorporated joint ventures, covering respectively the bauxite exploration and mining activities and the alumina refining activities. BHP Billiton Maaschappij Suriname (BMS) manages all mining operations while Suralco continues to manage the alumina refining activities.

**44 Elements relating to all joint venture operations**

	2004 US\$M	2003 US\$M
<b>Current assets</b>		
Cash assets	191	193
Receivables	584	432
Inventories	581	539
Other	72	18
<b>Non-current assets</b>		
Receivables	83	190
Other financial assets	26	26
Inventories	49	61
Property, plant and equipment	12 119	11 692
Other	310	382
BHP Billiton Group share of assets employed in joint venture operations	14 015	13 533
Contingent liabilities – unsecured <sup>(a)</sup>	10	46
Contracts for capital expenditure commitments not completed <sup>(b)</sup>	1 152	1 362

<sup>(a)</sup> Included in contingent liabilities arising from joint venture operations. Refer note 39.

<sup>(b)</sup> Included in capital expenditure commitments. Refer note 40.

## 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	
			2004 %	2003 %
BHP Billiton Canadian Diamonds Company	Canada	Diamond mining	100	100
BHP Billiton Diamonds Inc	Canada	Diamond mining	100	100
BHP Billiton Finance BV	Netherlands	Finance	100	100
BHP Billiton Finance Ltd <sup>(a)</sup>	Australia	Finance	100	100
BHP Billiton Finance (USA) Ltd	Australia	Finance	100	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	100	100
BHP Billiton Marketing AG	Switzerland	Marketing and trading	100	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore, silver, lead and zinc mining	100	100
BHP Billiton Petroleum (Americas) Inc	US	Hydrocarbons 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 (NWS) 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 Ltd	South Africa	Holding and service company	100	100
BHP Billiton Tintaya SA	Peru	Copper mining	99.95	99.95
BHP Billiton Transport and Logistics Pty Ltd	Australia	Transport services	100	100
BHP Billiton (Trinidad – 2c) Ltd	Canada	Hydrocarbons development	100	100
BHP Billiton World Exploration Inc	Canada	Exploration	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 Marine and General Insurances Pty Ltd	Australia	Insurance company	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
Billiton Aluminium Australia Pty Ltd	Australia	Bauxite mining and alumina refining	100	100
Billiton Aluminium South Africa Ltd	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
Billiton Metais SA	Brazil	Alumina refining and aluminium smelting	100	100

NOTES TO FINANCIAL STATEMENTS CONTINUED

45 Major controlled entities continued

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest	
			2004 %	2003 %
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
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 Coal Corporation Ltd	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
Samancor Ltd	South Africa	Chrome and manganese mining and production	60	60
Samancor AG	Switzerland	Marketing and trading	60	60
San Juan Coal Company	US	Coal mining	100	100
San Juan Transportation Company	US	Coal transportation	100	100
Tasmanian Electro Metallurgical Co Pty Ltd	Australia	Manganese alloys	60	60

(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.



## 46 Non-Director related parties

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

	2004 US\$M	2003 US\$M
Interest received or due and receivable from related parties		
Associated entities (a)	12.859	14.579
Dividends received or due and receivable from related parties		
Associated entities (a)	237.559	213.123
Current trade receivables due from related parties		
Associated entities (a)	0.122	3.131
Current sundry receivables due from related parties		
Associated entities (a)	1.379	6.668
Directors of controlled entities (b)	0.034	0.034
	1.413	6.702
Non-current sundry receivables due from related parties		
Associated entities (a)	238.443	292.859
Directors of controlled entities (b)	1.515	1.484
	239.958	294.343
Current trade creditors due from related parties		
Associated entities (a)	4.821	–
Current sundry creditors due to related parties		
Associated entities (a)	159.268	60.391
Non-current sundry creditors due to related parties		
Associated entities (a)	4.138	4.682

(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 2004. 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\$6.022 million (2003: US\$14.258 million);
- sales of services to Samarco amounting to US\$4.564 million (2003: US\$17.703 million); and
- sales of services to Advalloy amounting to US\$1.528 million (2003: US\$0.717 million).

**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\$0.6897 = A\$1 at 30 June 2004 and US\$0.6667 = A\$1 at 30 June 2003. 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.

	2004 A\$M	2003 A\$M
<b>Current assets</b>		
Cash assets	2 636	2 328
Receivables	4 028	3 266
Other financial assets	242	214
Inventories	2 487	1 992
Other assets	255	194
<b>Total current assets</b>	<b>9 648</b>	<b>7 994</b>
<b>Non-current assets</b>		
Receivables	1 085	1 345
Investments accounted for using the equity method	1 985	2 104
Other financial assets	178	222
Inventories	65	77
Property, plant and equipment	30 368	29 668
Intangible assets	612	699
Deferred tax assets	728	671
Other assets	538	531
<b>Total non-current assets</b>	<b>35 559</b>	<b>35 317</b>
<b>Total assets</b>	<b>45 207</b>	<b>43 311</b>
<b>Current liabilities</b>		
Payables	4 039	3 544
Interest bearing liabilities	1 644	1 347
Tax liabilities	431	464
Other provisions and liabilities	1 174	1 650
<b>Total current liabilities</b>	<b>7 288</b>	<b>7 005</b>
<b>Non-current liabilities</b>		
Payables	257	292
Interest bearing liabilities	7 906	9 639
Deferred tax liabilities	1 527	2 151
Other provisions and liabilities	5 864	4 967
<b>Total non-current liabilities</b>	<b>15 554</b>	<b>17 049</b>
<b>Total liabilities</b>	<b>22 842</b>	<b>24 054</b>
<b>Net assets</b>	<b>22 365</b>	<b>19 257</b>
Contributed equity – BHP Billiton Limited	2 684	2 677
Called up share capital – BHP Billiton Plc	2 540	2 598
Reserves	793	660
Retained profits	15 845	12 836
<b>Total BHP Billiton interest</b>	<b>21 862</b>	<b>18 771</b>
Outside equity interest	503	486
<b>Total equity</b>	<b>22 365</b>	<b>19 257</b>

#### 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](http://www.bhpbilliton.com)) and are available to shareholders on request free of charge.

#### Statement of Financial Performance for the year ended 30 June 2004

	BHP Billiton Limited	
	2004	2003
	A\$M	A\$M
<b>Revenue from ordinary activities</b>		
Non-operating revenue	9 940	3 827
	9 940	3 827
<i>deduct</i>		
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	385	1 842
	9 555	1 985
<i>deduct</i>		
Depreciation and amortisation	1	9
Borrowing costs	807	696
Profit from ordinary activities before income tax	8 747	1 280
<i>deduct</i>		
Income tax expense attributable to ordinary activities	22	99
<b>Net profit attributable to members of BHP Billiton Limited</b>	<b>8 725</b>	<b>1 181</b>
<b>Total changes in equity other than those resulting from transactions with owners</b>	<b>8 725</b>	<b>1 181</b>

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

Statement of Financial Position as at 30 June 2004

	BHP Billiton Limited	
	2004	2003
	A\$M	A\$M
<b>Current assets</b>		
Cash assets	–	1
Receivables (a)	28 446	24 004
Other assets	3	1
<b>Total current assets</b>	<b>28 449</b>	<b>24 006</b>
<b>Non-current assets</b>		
Receivables (a)	5 614	4 909
Other financial assets	22 305	22 308
Property, plant and equipment	2	5
Deferred tax assets	369	52
Other assets	1	2
<b>Total non-current assets</b>	<b>28 291</b>	<b>27 276</b>
<b>Total assets</b>	<b>56 740</b>	<b>51 282</b>
<b>Current liabilities</b>		
Payables (a)	30 149	33 263
Interest bearing liabilities	1	1
Tax liabilities	20	7
Other provisions	80	651
<b>Total current liabilities</b>	<b>30 250</b>	<b>33 922</b>
<b>Non-current liabilities</b>		
Payables (a)	325	–
Interest bearing liabilities (a)	5 971	6 153
Deferred tax liabilities	851	–
Other provisions	128	14
<b>Total non-current liabilities</b>	<b>7 275</b>	<b>6 167</b>
<b>Total liabilities</b>	<b>37 525</b>	<b>40 089</b>
<b>Net assets</b>	<b>19 215</b>	<b>11 193</b>
Contributed equity – BHP Billiton Limited	3 335	3 242
Reserves	877	811
Retained profits	15 003	7 140
<b>Total equity</b>	<b>19 215</b>	<b>11 193</b>

(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.

**Statement of Cash Flows for the year ended 30 June 2004**

	BHP Billiton Limited	
	2004 A\$M	2003 A\$M
<b>Cash flows related to operating activities</b>		
Receipts from customers	135	233
Payments in the course of operations	(183)	(541)
Dividends received	8 469	825
Interest received	1 328	1 406
Borrowing costs	(807)	(696)
Operating cash flows before income tax	8 942	1 227
Income taxes paid	(103)	(32)
<b>Net operating cash flows</b>	<b>8 839</b>	<b>1 195</b>
<b>Cash flows related to investing activities</b>		
Purchases of property, plant and equipment	–	(3)
Investments in controlled entities	(18)	(4 585)
Investing outflows	(18)	(4 588)
Proceeds from sale of property, plant and equipment	3	15
Proceeds from demerger, sale or partial sale of controlled entities and joint venture interests	–	1 331
<b>Net investing cash flows</b>	<b>(15)</b>	<b>(3 242)</b>
<b>Cash flows related to financing activities</b>		
Proceeds from ordinary share issues	102	294
Purchases of shares by ESOP trusts	(41)	–
Loans to Group companies	(8 252)	(2 048)
Repayments of loans from Group companies	662	4 657
Dividends paid	(1 296)	(913)
Other	–	(22)
<b>Net financing cash flows</b>	<b>(8 825)</b>	<b>1 968</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1)</b>	<b>(79)</b>
Cash and cash equivalents at beginning of period	–	79
<b>Cash and cash equivalents at end of period</b>	<b>(1)</b>	<b>–</b>

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of BHP Billiton Limited, the Directors declare that the financial statements and notes, set out on pages 2 to 91 and including the information in the Directors' Remuneration Report that is described as having been audited:

- (a) Comply with applicable Accounting Standards and the Corporations Regulations 2001; and
- (b) Give a true and fair view of the financial position of the BHP Billiton Group as at 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the year ended 30 June 2004; and

In the Directors' opinion:

- (a) The financial statements and notes are in accordance with the Corporations Act 2001; and
- (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.

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 1st day of September 2004

# 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 to the financial statements, the information in the Directors' Remuneration Report that is described as having been audited 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 2004.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial 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 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. 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.

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.

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.

## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## Audit opinion

In our opinion, the financial report of BHP Billiton Limited is 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 2004 and of its performance for the financial year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

William J Stevens  
Partner

Melbourne  
1 September 2004

## SUPPLEMENTARY OIL AND GAS INFORMATION

### Reserves

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 other less direct impacts such as the assessment of the need for provisions 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 we have claimed proved reserves before production flow tests are conducted, in part because of the significant safety, cost and environmental implications of conducting those tests. In these fields we have used other industry-accepted technologies, which we consider provide reasonably certain estimates of productivity. Historically, actual production levels have validated our proved reserves estimated by these methods.

The table below details our oil, condensate, LPG and gas reserves, estimated at 30 June 2004, 30 June 2003 and 30 June 2002 with a reconciliation of the changes in each year. Our reserves have been calculated using the economic interest method and represent our net interest volumes after deduction of applicable royalty, fuel and flare volumes. Our reserves include quantities of oil, condensate and LPG which will be produced under several production and risk sharing arrangements that involve us in upstream risks and rewards but do not transfer ownership of the products to us. At 30 June 2004, approximately 17 per cent (2003: 19 per cent; 2002: 17 per cent) of proved developed and undeveloped oil, condensate and LPG reserves and nil (2003: nil; 2002: nil) of natural gas reserves are attributable to those arrangements. Our 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
<b>Proved developed and undeveloped oil, condensate and LPG reserves (a)</b>				
<b>Reserves at 30 June 2001</b>	376.8	96.3	134.2	607.3
Improved recovery	–	–	–	–
Revisions of previous estimates	12.1	3.2	(11.0)	4.3
Extensions and discoveries	3.4	70.2	–	73.6
Purchase/sales of reserves	–	–	–	–
Production (b)	(63.3)	(9.0)	(14.3)	(86.6)
Total changes	(47.8)	64.4	(25.3)	(8.7)
<b>Reserves at 30 June 2002</b>	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)
<b>Reserves at 30 June 2003</b>	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)
<b>Reserves at 30 June 2004 (c)</b>	<b>300.9</b>	<b>148.8</b>	<b>90.9</b>	<b>540.6</b>



(millions of barrels)	Australia/Asia	Americas	UK/Middle East	Total
<b>Proved developed oil, condensate and LPG reserves <sup>(a)</sup></b>				
Reserves at 30 June 2001	268.6	9.4	40.9	318.9
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
<b>Reserves at 30 June 2004</b>	<b>201.9</b>	<b>5.4</b>	<b>54.8</b>	<b>262.1</b>

(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 <sup>(a)</sup>	Americas	UK/Middle East	Total
<b>Proved developed and undeveloped natural gas reserves</b>				
<b>Reserves at 30 June 2001</b>	<b>4 078.4</b>	<b>139.1</b>	<b>594.0</b>	<b>4 811.5</b>
Improved recovery	–	–	–	–
Revisions of previous estimates	3.9	2.7	(35.8)	(29.2)
Extensions and discoveries	605.9	37.3	–	643.2
Purchases/sales of reserves	–	–	–	–
Production <sup>(b)</sup>	(187.4)	(25.1)	(69.0)	(281.5)
Total changes	422.4	14.9	(104.8)	332.5
<b>Reserves at 30 June 2002</b>	<b>4 500.8</b>	<b>154.0</b>	<b>489.2</b>	<b>5 144.0</b>
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 <sup>(b)</sup>	(189.2)	(21.8)	(79.9)	(290.9)
Total changes	403.8	(6.7)	(70.2)	326.9
<b>Reserves at 30 June 2003</b>	<b>4 904.6</b>	<b>147.3</b>	<b>419.0</b>	<b>5 470.9</b>
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 <sup>(b)</sup>	(222.9)	(20.5)	(77.0)	(320.4)
Total changes	(56.7)	(46.5)	(87.0)	(190.2)
<b>Reserves at 30 June 2004 <sup>(c)</sup></b>	<b>4 847.9</b>	<b>100.8</b>	<b>332.0</b>	<b>5 280.7</b>
<b>Proved developed natural gas reserves</b>				
Reserves at 30 June 2001	2 303.2	84.6	550.2	2 938.0
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
<b>Reserves at 30 June 2004</b>	<b>2 539.7</b>	<b>20.1</b>	<b>310.0</b>	<b>2 869.8</b>

(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 233.2 billion cubic feet derived from probabilistic aggregation procedures.

## SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION

The statement of Mineral Resources and Ore Reserves presented in this report has been produced in accordance with the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the 'JORC Code'). Commodity prices and exchange rates used to estimate the economic viability of reserves are based on September 2003, BHP Billiton long-term forecasts unless otherwise stated. The Ore Reserves tabulated are all held within existing, fully permitted mining tenements. 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.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC Code). Competent Persons for deposits located outside Australia may be members of Recognised Overseas Professional Organisations as recognised by the ASX. All Competent Persons have, at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the

JORC Code. Each Competent Person consents to the inclusion in this Report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resources and Ore Reserves figures presented are reported in 100 per cent terms, and represent estimates at 30 June 2004 (unless otherwise stated). All tonnes and grade information has been rounded; hence small differences may be present in the totals. All of the Mineral Resource information (unless otherwise stated) is inclusive of Mineral Resources that have been converted to Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

The information contained herein differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. BHP Billiton's US GAAP disclosures reflect the information reported to the SEC.

Mineral Resources and Ore Reserves are presented in the accompanying tables subdivided for each of the Customer Sector Groups.

### Aluminium Customer Sector Group

#### Mineral Resources

The table below details the total inclusive Mineral Resources for the Aluminium Customer Sector Group as at 30 June 2004 and is presented in 100 per cent terms.

Bauxite Deposit	Ore Type	Measured Resource		Indicated Resource		Inferred Resource		Total Resource		BHP Billiton Interest %
		Tonnes (millions)	A.Al <sub>2</sub> O <sub>3</sub> <sup>(4)</sup> %	Tonnes (millions)	A.Al <sub>2</sub> O <sub>3</sub> <sup>(4)</sup> %	Tonnes (millions)	A.Al <sub>2</sub> O <sub>3</sub> <sup>(4)</sup> %	Tonnes (millions)	A.Al <sub>2</sub> O <sub>3</sub> <sup>(4)</sup> %	
<b>Australia</b>										
Worsley <sup>(1)(6)</sup>	Laterite	337	30.7	154	33.0	50	32.2	541	31.5	86
<b>Brazil</b>										
MRN <sup>(2)(5)(6)</sup>	MRN Crude	144	–	34	–	860	–	1 037	–	14.8
	MRN Washed	104	50.6	25	51.3	601	50.5	731	50.5	14.8
<b>Suriname<sup>(7)</sup></b>										
Coermotibo <sup>(3)</sup>	Laterite	6.6	50.3	2.2	51.2	0.4	48.1	9.1	50.4	45
Onverdacht <sup>(3)</sup>	Laterite	16.4	58.1	24.3	57.1	–	–	40.7	57.5	45

(1) Worsley resource numbers are quoted on a dry basis; Competent Person is D Parmenter (MAIG).

(2) Resource tonnages for MRN, crude are quoted on a dry basis, washed are quoted with nominal 5 per cent moisture; Competent Person is V J van der Riet (MAusIMM).

(3) Coermotibo and Onverdacht resource numbers are quoted on a dry basis; Competent Person is D L Butty (EuroGeol).

(4) A.Al<sub>2</sub>O<sub>3</sub> is Alumina as available alumina for Worsley and MRN, Al<sub>2</sub>O<sub>3</sub> is total Alumina for Coermotibo and Onverdacht.

(5) MRN – Mineração Rio do Norte.

(6) The decrease in Worsley total resource is the net effect of new drilling and mining depletion during the year. The reduction in MRN crude and washed resource is due to mining depletion, adjustment of plateau internal mining perimeters for environmental considerations and selective mining.

(7) The restructuring of the Suriname mining joint venture in August 2003 placed the Eastern and Central Suriname bauxite deposits under a single mining and reporting entity. The Onverdacht deposits incorporate Lelydorp, Para N, Kankantie N and other Central Suriname deposits, resource changes are the result of mining depletion and new resource estimates. The Coermotibo deposit is a deposit in Eastern Suriname in which BHP Billiton now has a 45 per cent interest. Prior to this date the Lelydorp mine and the Para N and Kankantie N deposits were BHP Billiton's only reporting responsibility.

**Aluminium Customer Sector Group** continued

**Ore Reserves**

The table below details the total Ore Reserves for the Aluminium Customer Sector Group as at 30 June 2004 and is presented in 100 per cent terms.

Bauxite Deposit <sup>(1)(3)</sup>	Ore Type	Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve		BHP Billiton Interest %
		Tonnes (millions)	A.Al <sub>2</sub> O <sub>3</sub> <sup>(2)</sup> %	Tonnes (millions)	A.Al <sub>2</sub> O <sub>3</sub> <sup>(2)</sup> %	Tonnes (millions)	A.Al <sub>2</sub> O <sub>3</sub> <sup>(2)</sup> %	
<b>Australia</b>								
Worsley <sup>(4)(5)</sup>	Laterite	312	30.8	8.0	29.3	320	30.8	86
<b>Brazil</b>								
MRN <sup>(4)(6)</sup>	MRN Crude	144	–	–	–	144	–	14.8
	MRN Washed	104	50.6	–	–	104	50.6	14.8
<b>Suriname</b>								
Coermotibo <sup>(7)</sup>	Laterite	5.8	45.7	0.5	40.6	6.3	45.4	45
Onverdacht <sup>(7)</sup>	Laterite	6.9	52.5	–	–	6.9	52.5	45

(1) Mining dilution and recovery are included in the ore reserve statements for each deposit except Coermotibo.

(2) Alumina as available alumina.

(3) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Worsley	maximum 100m	maximum 200m
MRN	A minimum bauxite intersection grid of 200 metres. Mining and metallurgical characterisation (test pit/bulk sample), plus a reliable suite of chemical and size distribution data.	No reserve quoted in this category
Coermotibo	61m x 61m	122m x 122m
Onverdacht	61m x 61m	No reserve quoted in this category

(4) Third party audits have been undertaken at Worsley and MRN, within the last 3 years.

(5) Worsley reserve tonnages are quoted on a dry basis; Competent Person is D Parmenter (MAIG).

(6) Mineração Rio do Norte (MRN) washed reserve tonnages and grades are quoted on a nominal 5 per cent moisture content basis; Competent Person is V J van der Riet (MAusIMM).

(7) Coermotibo and Onverdacht reserve tonnages are quoted on a dry basis; Competent Person is D L Butty (EuroGeol). The restructuring of the Suriname mining joint venture in August 2003 placed the Eastern and Central Suriname bauxite deposits under a single mining and reporting entity. The Onverdacht deposits incorporate Lelydorp, Para N, Kankantrie N and other Central Suriname deposits, while the Coermotibo deposit is a deposit in Eastern Suriname in which BHP Billiton now has a 45 per cent interest. Prior to this date the Lelydorp mine and the Para N and Kankantrie N deposits were BHP Billiton's only reporting responsibility.

## SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION CONTINUED

## Base Metals Customer Sector Group

**Mineral Resources** <sup>(2)(3)(11)</sup>

Details of the Mineral Resources for the Base Metals Customer Sector Group as at 30 June 2004 are presented in the table below in 100 per cent terms.

Commodity Deposit	Ore Type	Measured Resource					Indicated Resource				
		Tonnes (dmt millions)	%TCu <sup>(1)</sup>	%SCu <sup>(1)</sup>	g/tAu	g/tAg	Tonnes (dmt millions)	%TCu <sup>(1)</sup>	%SCu <sup>(1)</sup>	g/tAu	g/tAg
<b>Copper</b> Escondida <sup>(4)</sup>	Oxide	147	–	0.70	–	–	42	–	0.49	–	–
	Sulphide	684	1.39	–	–	–	852	1.00	–	–	–
	Sulphide leach	602	0.55	–	–	–	1 389	0.49	–	–	–
Escondida Norte <sup>(4)</sup>	Oxide	19	–	0.52	–	–	111	–	0.81	–	–
	Sulphide	193	1.65	–	–	–	410	1.23	–	–	–
	Sulphide leach	65	0.61	–	–	–	589	0.53	–	–	–
Pinto Valley <sup>(5)</sup>	Sulphide	697	0.20	–	–	–	16	0.34	–	–	–
Pinto Valley Miami unit <sup>(5)</sup>	In situ leach	174	0.32	–	–	–	40	0.32	–	–	–
Tintaya <sup>(6)</sup>	Oxide	7	1.37	0.97	–	–	29	1.83	1.37	–	–
	Sulphide	36	1.44	–	0.26	6.07	47	1.52	–	0.21	6.46
Cerro Colorado <sup>(7)</sup>	Oxide	78	0.70	0.53	–	–	136	0.71	0.52	–	–
	Sulphide	37	0.91	0.14	–	–	77	0.74	0.12	–	–
Spence <sup>(8)</sup>	Oxide	41	1.34	0.99	–	–	46	0.93	0.69	–	–
	Supergene sulphide	113	1.36	–	–	–	168	0.82	–	–	–
	Transitional sulphide	22	0.61	–	–	–	29	0.50	–	–	–
<b>Copper Zinc</b> Antamina <sup>(9)</sup>	Sulphide	Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo
		291	1.20	0.93	13.3	0.031	251	1.08	0.82	12.3	0.029
<b>Silver Lead Zinc</b> Cannington <sup>(10)</sup>	Sulphide	Tonnes (dmt millions)	g/tAg	%Pb	%Zn		Tonnes (dmt millions)	g/tAg	%Pb	%Zn	
		18	576	12.36	4.36		9	460	10.74	4.22	

<sup>(1)</sup> %TCu – per cent total copper, %SCu – per cent soluble copper.

<sup>(2)</sup> **Competent Persons**

Escondida, Escondida Norte: R R Roco (MAusIMM)  
 Pinto Valley, Pinto Valley Miami unit: J Gage (MAusIMM)  
 Tintaya: D T Brost (MAusIMM)  
 Cerro Colorado: E Fernández (MAIG)  
 Spence: M J Williams (MAusIMM)  
 Antamina: D Gurtler (MAusIMM)  
 Cannington: A J Edwards (MAusIMM).

<sup>(3)</sup> All Resources in the Base Metals Customer Sector Group are quoted inclusive of Reserves. Material changes from the 2003 report are discussed in subsequent footnotes and include depletion through mining, adjusted for reconciliation for all operating properties. Third party audits have been conducted on the resource base of Escondida, Escondida Norte, Tintaya, Cerro Colorado and Spence in the past three years.

<sup>(4)</sup> Escondida and Escondida Norte are adjacent supergene-enriched porphyry copper deposits mined by open pit methods and share a common processing plant complex. Changes in the Resources for both deposits include an updated resource model that incorporates additional in-fill and step-out drilling, and revised cut-off grades. Approval in April 2004 of the Sulphide Leach Project has resulted in a new category named 'Sulphide Leach' that includes the previously named Low Grade Float, Low Grade Leach, and Mixed Resource categories. There is a significant increase on the tonnages reported for this material as a consequence of the low grade Primary mineralisation now being considered to be processed by this Sulphide Leach process. Stockpiled materials removed from the Escondida mine are included as Measured Resource for the appropriate ore type.

<sup>(5)</sup> The Pinto Valley Operations consist of two units: the Pinto Valley unit is a low-grade porphyry copper deposit that consists of an open pit and mill complex and a low-grade sulphide heap leach plus SX-EW, and the Miami unit that is an in situ leach plus SX-EW operation within the upper parts of an oxidised and enriched porphyry copper deposit. Both units are currently on care and maintenance status, except that the SX-EW units are processing leach solutions that are continuing to be cycled through the leachable resources. Low-grade stockpiles currently under leach at the Pinto Valley unit are combined with the higher-grade open pit Measured Resource. Changes to Resources consist of depleting reported grades by recovered cathode copper during FY2004.

Inferred Resource					Total Resource					BHP Billiton Interest %
Tonnes (dmt millions)	%TCu (1)	%SCu (1)	g/tAu	g/tAg	Tonnes (dmt millions)	%TCu (1)	%SCu (1)	g/tAu	g/tAg	
27	–	0.43	–	–	217	–	0.63	–	–	57.5
617	0.90	–	–	–	2 153	1.10	–	–	–	57.5
3 073	0.47	–	–	–	5 064	0.48	–	–	–	57.5
35	–	0.63	–	–	165	–	0.74	–	–	57.5
185	0.94	–	–	–	788	1.26	–	–	–	57.5
1 177	0.48	–	–	–	1 830	0.50	–	–	–	57.5
2	0.25	–	–	–	715	0.20	–	–	–	100
–	–	–	–	–	214	0.32	–	–	–	100
3	1.47	1.10	–	–	39	1.71	1.27	–	–	99.95
22	1.47	–	0.16	5.97	105	1.48	–	0.22	6.22	99.95
27	0.56	0.34	–	–	241	0.69	0.50	–	–	100
16	0.61	0.12	–	–	130	0.77	0.13	–	–	100
1	0.74	0.57	–	–	88	1.12	0.83	–	–	100
6	0.65	–	–	–	287	1.03	–	–	–	100
0.4	0.54	–	–	–	51	0.55	–	–	–	100
Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	
28	0.79	0.99	13.0	0.016	570	1.13	0.88	12.9	0.030	33.75
Tonnes (dmt millions)	g/tAg	%Pb	%Zn		Tonnes (dmt millions)	g/tAg	%Pb	%Zn		
8	364	8.64	3.57		35	498	11.09	4.14		100

(6) The Tintaya deposit is a copper skarn system consisting of a series of adjacent open pits that feed a mill and SX-EW plant. In addition to depletion through mining, 5 million dmt underlying the exhausted Chabuca and Chabuca Sur pits were removed as delectable Resources.

(7) Cerro Colorado is an open pit mine that lies within the oxidised and enriched portion of a porphyry copper deposit, with ore processed by leaching and SX-EW. Changes include the results of in fill and exploration drilling incorporated into an updated model that resulted in an increase to the total resource and improved confidence. The Measured Resources stated herein include 7.2 million dmt of stockpiled low-grade sulphides that were included in the 2003 declaration as Reserves, but not Resources.

(8) Spence is an enriched and oxidised porphyry copper deposit that is in feasibility study to be developed by open cut mining and heap leaching of crushed ore. The resource estimate is essentially unchanged from June 2002, but does include some changes in material categories. Resources contained in the category 'Supergene Sulphide' are identical to those reported as 'Leachable Sulphide' in 2003. The resource category is renamed to remove the process route association from its name in favour of a copper mineralogy association. 'Transitional Sulphide' is added as resource since it contains variable but important quantities of leachable sulphide minerals (chalcocite and covellite). Dump leach infrastructure has been added to the current feasibility study and will be available to process this mineralisation.

(9) Antamina is a polymetallic skarn mined by open pit truck and shovel methods with Cu and Cu-Zn ores separately processed in a single mill and concentrator. Resources were previously stated to be exclusive of Reserves. To maintain consistency with other BHP Billiton operations, the Resources are herein stated inclusive of Ore Reserves.

(10) The Cannington Ag-Pb-Zn deposit is a Broken Hill Type (BHT) deposit located in the Eastern Succession of the Mt Isa inlier. Results from ongoing underground diamond drilling and geological interpretation resulted in minor and local changes, and higher confidence classification of resources. Changes in metal prices and exchange rates increased value of ore at constant contained metals, resulting in a slight increase of tonnage above a given dollar per tonne cut-off.

(11) The following no longer carry Resources for BHP Billiton: Selbaie Cu-Zn mine in Quebec, Canada was closed in May 2004 due to reserve depletion, the Robinson Cu deposit in Nevada, USA was sold to Quadra Mining in April 2004, and the Highland Valley mine in British Columbia, Canada was sold to Teck Cominco in March 2004.

## SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION CONTINUED

## Base Metals Customer Sector Group continued

 Ore Reserves <sup>(1)(2)(3)</sup>

The table below details the total Ore Reserves for the Base Metals Customer Sector Group as at 30 June 2004 and is presented in 100 per cent terms.

Commodity Deposit	Ore Type	Proved Ore Reserve				
		Tonnes (dmt millions)	%TCu <sup>(4)</sup>	%SCu <sup>(4)</sup>	g/tAu	g/tAg
<b>Copper</b> Escondida <sup>(5)(11)</sup>	Oxide	142	–	0.72	–	–
	Sulphide	665	1.39	–	–	–
	Sulphide leach	494	0.57	–	–	–
Escondida Norte <sup>(6)(11)</sup>	Oxide	–	–	–	–	–
	Sulphide	188	1.65	–	–	–
	Sulphide leach	53	0.54	–	–	–
Tintaya <sup>(7)(11)</sup>	Oxide	7	1.37	0.97	–	–
	Sulphide	28	1.32	–	0.24	5.65
Cerro Colorado <sup>(8)(11)</sup>	Oxide	71	0.70	0.54	–	–
	Sulphide	30	0.94	0.14	–	–
<b>Copper Zinc</b> Antamina <sup>(9)(12)</sup>	Sulphide	Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo
		264	1.27	1.01	14.2	0.031
<b>Silver Lead Zinc</b> Cannington <sup>(10)</sup>	Sulphide	Tonnes (dmt millions)	g/tAg	%Pb	%Zn	
		15	507	11.00	3.82	

(1) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Escondida	Oxide: 55m x 55m Sulphide: 60m x 60m Sulphide leach: 60m x 60m	Oxide: 60m x 60m Sulphide: 100m x 100m Sulphide leach: 110m x 110m
Escondida Norte	Oxide: 48m x 48m Sulphide: 54m x 54m Sulphide leach: 60m x 60m	Oxide: 60m x 60m Sulphide: 90m x 90m Sulphide leach: 125m x 125m
Tintaya	Drill grid of 25 meters or less, except in the Chabuca area, where a maximum grid of 18 meters is used.	Maximum drill grid of 50 meters, except for the Chabuca and Chabuca Sur areas, where a maximum spacing of 37 meters is used.
Cerro Colorado	First kriging pass (50m spacing)	Second kriging pass (70m spacing)
Antamina	High-Grade Cu/Zn: 3 holes within 55m, closest hole within 40m	Variable between domains, 3 holes within 55m to 120m and closest within 40 to 75m
Cannington	12.5m sectional x 15m vertical	25m sectional x 25m vertical

(2) Metallurgical recoveries for the operations are:

% Metallurgical Recovery	TCu	SCu	Zn	Ag	Pb
Escondida Oxide		80			
Escondida Sulphide	84				
Escondida Sulphide Leach	37				
Escondida Norte Oxide		54			
Escondida Norte Sulphide	88				
Escondida Norte Sulphide Leach	29				
Tintaya Oxide		78			
Tintaya Sulphide	89				
Cerro Colorado Oxide		80			
Cerro Colorado Sulphide	80				
Antamina	88 – 95		0 (Cu-only) 86 (Cu-Zn)	65 – 90	
Cannington			72	88	89

 (3) **Competent Persons**

Escondida, Escondida Norte: P R Fehlandt (MAusIMM)  
 Tintaya: A A Zuzunaga (MAusIMM)  
 Cerro Colorado: R Contreras (MAusIMM)  
 Antamina: D Gurtler (MAusIMM)  
 Cannington: K Sommerville (MAusIMM).

Probable Ore Reserve					Total Ore Reserve					BHP Billiton Interest %
Tonnes (dmt millions)	%TCu <sup>(4)</sup>	%SCu <sup>(4)</sup>	g/tAu	g/tAg	Tonnes (dmt millions)	%TCu <sup>(4)</sup>	%SCu <sup>(4)</sup>	g/tAu	g/tAg	
24	–	0.61	–	–	166	–	0.70	–	–	57.5
773	1.01	–	–	–	1 438	1.19	–	–	–	57.5
704	0.53	–	–	–	1 197	0.55	–	–	–	57.5
125	–	0.78	–	–	125	–	0.78	–	–	57.5
392	1.23	–	–	–	580	1.37	–	–	–	57.5
450	0.57	–	–	–	503	0.56	–	–	–	57.5
27	1.78	1.34	–	–	34	1.69	1.26	–	–	99.95
28	1.46	–	0.18	6.14	56	1.39	–	0.21	5.90	99.95
75	0.76	0.59	–	–	145	0.73	0.57	–	–	100
30	0.80	0.14	–	–	60	0.87	0.14	–	–	100
Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	Tonnes (dmt millions)	%Cu	%Zn	g/tAg	%Mo	
221	1.17	0.89	13.2	0.029	485	1.22	0.96	13.7	0.030	33.75
Tonnes (dmt millions)	g/tAg	%Pb	%Zn	Tonnes (dmt millions)	g/tAg	%Pb	%Zn			
7	408	9.62	4.01	22	476	10.57	3.88			100

- (4) %TCu – per cent total copper, %SCu – per cent soluble copper.
- (5) Differences between the 2004 and 2003 ore reserve statements is from depletion through production, updated mineral resource block model, revised cut-off grades, and the declaration of new reserves ore types as described in the Mineral Resources section. Economic pit shells and their cut-off grades have been recalculated after updates to the mineral resource model. Following the mineral resource statement, the Low Grade Float and Mixed ore types are now combined in the new 'Sulphide Leach' ore type. There is a significant increase in declared tonnes compared to prior statements due to the Low Grade Leach material now converted to reserves as a consequence of the Sulphide Leach Project approval. Measured mineral resource of mixed mineralisation is converted into Probable Sulphide Leach ore reserve to reflect uncertainty in some of the modifying factors. Stockpiled material is included in the appropriate ore type as Proved Reserve (with the exception of the mixed mineralisation). Ore reserves quoted are based on an ultimate pit which valued Measured, Indicated and Inferred Resources for Sulphide and Oxide material types only. Reported Proved and Probable Reserves are derived from Measured and Indicated Resources only within the Ultimate Pit, after modifying factors have been applied.
- (6) Differences between the 2004 and 2003 ore reserve statements are due to an updated mineral resource block model, revised cut-off grades, and the declaration of new reserves ore types as described in the Mineral Resources section. Economic pit shells and their associated cut-off grades have been recalculated after updates to the mineral resource model. Following the mineral resource statement, the Low Grade Float and Mixed ore types are now combined in the new 'Sulphide Leach' ore type. There is a significant increase in declared tonnes compared to the previous statement due to the low-grade sulphides within the range 0.3% ≤ TCu < 0.5% being quoted for the first time. As a consequence of the Sulphide Leach Project approval, all low-grade sulphides and mixed mineral resources are now converted to ore reserves. Ore reserves herein quoted are based on an ultimate pit which values Measured, Indicated and Inferred Resources for Sulphide and Oxide material types only. Reported Proved and Probable Reserves are derived from Measured and Indicated Resources only within the Ultimate Pit, after modifying factors have been applied.
- (7) The Tintaya mine and concentrator resumed operations in October 2003 due to improved market conditions. Changes to the total Ore Reserves are due to depletion through production adjusted by reconciliation and mining of Inferred Resources. Oxide stockpiles characterised by a post-stockpile drilling program comprise Oxide Proved Resources, while Oxide Probable Resources include all in situ oxide ore combined with 8 million dmt of oxide stockpiles in which TCu and SCu grades are estimated from production data.
- (8) Changes in the Cerro Colorado Reserves reflect changes in the Resource base based on drilling and updated interpretation, and include depletion through mining, adjusted by reconciliation.
- (9) The 2004 Reserves are based on the 2003 report depleted by production that is adjusted by reconciliation. As in the previous reports, Sulphide ore combines both Cu-only and Cu-Zn ore types. Some zinc metal is contained in Cu-only ores that will not be processed through the zinc flotation circuit.
- (10) Increased Proved Reserves are due to upgrading of material from Probable as a result of ongoing diamond drilling program. (Mainly North Block and R4 Block.) Changes from 2003 include depletion through production, adjusted by reconciliation and ore produced from development workings not carried as Reserves.
- (11) Third party audits have been conducted on the Reserves of Escondida, Escondida Norte, Tintaya and Cerro Colorado in the past three years.
- (12) In addition to note (9) provided by the Competent Person, the Group makes the following disclosure regarding Antamina consistent with that made in other jurisdictions. A reconciliation of production results during 2002 and 2003 against the pre-production reserve model has shown some discrepancies in the quantities and grades of ore. Following this, further drilling (30 000 metres) occurred and an interim resource model was completed. A reconciliation of this interim model has also indicated some discrepancies in its ability to predict accurately the quantities and grades of ore. In addition, while mining of the Antamina ore body has demonstrated continuity of the economically mineralised zones, the erratic nature of the ore types and grades within these zones has led to a proposal to tighten the criteria for proved and probable reserve classification. The final decision on classification criteria is still under review as part of the drilling, resource modelling and validation work program currently in progress. As part of this program, some 114 000 metres of core drilling has commenced and is expected to be completed by calendar year end. Drilling results received to date support the reported reserves and until the updated reserve model is completed, probably in calendar 2005, the pre-production reserve model continues to provide the best reserve estimate for Antamina.

## SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION CONTINUED

**Carbon Steel Materials Customer Sector Group**
**Mineral Resources**

The tables below detail iron ore, manganese and metallurgical coal Mineral Resources (in metric tonnes) estimated in 100 per cent terms as at 30 June 2004. All resource figures are total Mineral Resources inclusive of material converted to Ore Reserves.

**Iron Ore Mineral Resources**

Ownership Deposit	Ore Type	Measured Resource			Indicated Resource			Inferred Resource			Total Resource			BHP Billiton Interest %
		Tonnes (wmt millions)	%Fe	%P	Tonnes (wmt millions)	%Fe	%P	Tonnes (wmt millions)	%Fe	%P	Tonnes (wmt millions)	%Fe	%P	
<b>Iron Ore</b> <sup>(1)(2)(3)(4)</sup>														
Mt Newman JV	BKM	689	63.7	0.06	567	61.1	0.09	253	61.5	0.10	1 509	62.4	0.08	85
	MM	157	61.7	0.07	82	60.0	0.06	672	59.3	0.07	911	59.7	0.07	85
Jimblebar	BKM	240	61.6	0.07	115	61.7	0.08	755	61.5	0.13	1 110	61.5	0.11	100
	MM	–	–	–	–	–	–	17	60.2	0.10	17	60.2	0.10	100
Mt Goldsworthy JV Northern Areas	NIM	55	61.4	0.06	101	61.7	0.05	78	60.1	0.06	234	61.1	0.06	85
Mt Goldsworthy JV Area C <sup>(5)</sup>	BKM	22	58.5	0.07	19	58.5	0.07	71	62.2	0.12	111	60.8	0.10	85
	MM	413	61.6	0.06	212	62.3	0.06	376	61.1	0.06	1 001	61.6	0.06	85
Yandi JV	BKM	–	–	–	–	–	–	195	59.0	0.15	195	59.0	0.15	85
	CID	675	58.0	0.04	530	57.3	0.04	129	57.7	0.04	1 334	57.7	0.04	85
BHP Billiton Minerals	BKM	–	–	–	–	–	–	244	60.7	0.13	244	60.7	0.13	100
BHP Coal <sup>(6)</sup>	BKM	–	–	–	83	59.6	0.14	85	61.2	0.16	167	60.5	0.15	100
	MM	–	–	–	51	60.4	0.06	158	61.8	0.06	209	61.5	0.06	100
Samarco JV <sup>(7)</sup>	ROM	Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	50
		570	45.4	0.05	896	43.3	0.04	1 569	46.7	0.05	3 036	45.5	0.04	

(1) Resources are divided into joint ventures, and material types that reflect the various products produced. The bedded ore material types are classified by the host Archaean or Proterozoic banded iron-formations. These are BKM – Brockman, MM – Marra Mamba and NIM – Nimingarra. The CID – Channel Iron Deposit or pisolite – are Cainozoic fluvial sediments. ROM is run of mine ore.

(2) The resource grades listed refer to in situ, iron (Fe) and phosphorus (P), on a dry weight basis. Moisture content for BKM = 3%, MM = 4%, CID = 8%, NIM = 3.5%

(3) Changes in Mt Newman JV Resources are due to changes in the Fe cut-off used for reporting OB18 and OB24 and review of estimates for OB32, OB40, OB42 and OB43. Changes to Goldsworthy JV Northern Areas Resources are due to significant new drilling and geological modelling. Changes to Yandi JV Resources are due to new geological models for the Western (1 to 6) deposits and Eastern 356 and changes to Fe cut-off used for reporting for some deposits. Other iron ore resource changes are predominantly related to mining depletion.

**(4) Competent Persons**

Mt Newman JV, Jimblebar, Yandi JV : H Arvidson (MAusIMM) and I Tehnas (MAusIMM)

Mt Goldsworthy JV Northern Areas: D Podmore (MAusIMM)

Mt Goldsworthy JV Area C: I Tehnas (MAusIMM) and H Arvidson (MAusIMM)

BHP Billiton Minerals, BHP Coal: I Tehnas (MAusIMM)

Samarco JV: J E Tizon (MAusIMM).

(5) Whilst 85 per cent is shown as the 'BHP Billiton Interest' for Area C, POSCO (a Korean steelmaker) has a 20 per cent legal interest in the C Deposit of Area C. In substance, the Group retains virtually all of this interest and this disclosure and the financial statements are prepared on this basis.

(6) The Renison JV has expired and therefore ownership has reverted to the original BHP Billiton entity BHP Coal Pty Ltd.

(7) Changes in the Samarco resource from that reported in the 2003 Annual Report are due to exploratory drilling results, cut-off grade changes and the use of updated density parameters.



**Carbon Steel Materials Customer Sector Group** continued

**Manganese Mineral Resources**

Deposit	Ore Type	Measured Resource			Indicated Resource			Inferred Resource			Total Resource			BHP Billiton Interest %
		Tonnes (dmt millions)	%Mn	%Yield	Tonnes (dmt millions)	%Mn	%Yield	Tonnes (dmt millions)	%Mn	%Yield	Tonnes (dmt millions)	%Mn	%Yield	
<b>Manganese</b> <sup>(1)(2)</sup>														
GEMCO <sup>(3)</sup>	ROM	70	48.5	47	42	47.0	46	41	45.7	48	153	47.3	47	60
Wessels	ROM	4.8	48.0	–	20	48.0	–	0.2	48.1	–	25	48.0	–	60
		Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	
Mamatwan	ROM	36	37.7	4.6	21	37.2	4.7	10	36.9	4.5	67	37.4	4.6	60

**(1) Competent Persons**

GEMCO: E P W Swindell (SACNASP)

Wessels: E P Ferreira (SACNASP)

Mamatwan: O van Antwerpen (SACNASP).

(2) GEMCO total resources decreased due to revised orebody model and particularly a revision to the density used. The total Mamatwan manganese resource increased due to a change in the cut-off to match the cut-off in use at the mine, a reduction in the Wessels resource due to revision to the geological model and the reduction in available ground following the repeal of Minerals Act 50 (1991) on 30 April 2004 and the consequent termination of the section 10 mining authorisation over certain ground.

This reduced the available ground at Wessels Mine to the following leases: 1/1975 (254.7368 ha) and 6/1980 as amended to 7/1983 (342.1668 ha).

(3) GEMCO Mn grades are reported as washed sample grades and as such reflect a mineral product grade.

## SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION CONTINUED

## Carbon Steel Materials Customer Sector Group continued

 Metallurgical Coal Resources <sup>(1)(2)</sup>

Ownership Deposit	Mining Method <sup>(3)</sup>	Coal Type <sup>(4)</sup>	Measured Resource					Indicated Resource				
			Tonnes (millions)	%VM <sup>(5)</sup>	kcal/kg CV <sup>(5)</sup>	%Ash <sup>(5)</sup>	%S <sup>(5)</sup>	Tonnes (millions)	%VM <sup>(5)</sup>	kcal/kg CV <sup>(5)</sup>	%Ash <sup>(5)</sup>	%S <sup>(5)</sup>
<b>Queensland Coal Resources at operating mines</b>												
<b>CQCA JV</b>												
Gooniyella <sup>(6)</sup>	OC	Met	475	23.7	–	9.0	0.54	312	23.1	–	9.3	0.53
	UG	Met	43	23.4	–	6.1	0.49	559	22.3	–	8.6	0.53
Peak Downs <sup>(7)</sup>	OC	Met	891	20.4	–	–	–	272	21.8	–	–	–
	UG	Met	–	–	–	–	–	345	20.5	–	–	–
Saraji <sup>(7)</sup>	OC, UG	Met	350	18.5	–	–	–	288	17.9	–	–	–
Norwich Park <sup>(7)</sup>	OC, UG	Met	248	17.6	–	–	–	168	17.4	–	–	–
Blackwater <sup>(7)</sup>	OC, UG	Met	210	25.8	7 515	–	–	147	25.6	7 510	–	–
South Blackwater <sup>(7)</sup>	OC	Met/Th	97	–	7 170	–	–	89	–	7 067	–	–
	UG	Met/Th	–	–	–	–	–	344	–	7 242	–	–
<b>Gregory JV</b>												
Gregory Crinum <sup>(7)</sup>	OC	Met	16	33.5	–	–	–	6	33.8	–	–	–
	UG	Met	65	33.6	–	–	–	66	33.0	–	–	–
<b>BHP Mitsui</b>												
Riverside <sup>(7)(8)</sup>	OC	Met	6	22.8	–	–	–	2	24.2	–	–	–
South Walker Ck <sup>(7)</sup>	OC, UG	Met/Th	95	13.0	7 725	–	–	198	14.7	7 651	–	–
<b>Queensland Coal Undeveloped Resources</b>												
<b>CQCA JV</b>												
Red Hill <sup>(9)</sup>	UG	Met	90	20.9	–	–	–	406	19.6	–	–	–
	OC	Met/Th	–	–	–	–	–	25	26.3	–	12.4	0.50
Daunia	OC	Met/Th	75	20.5	–	–	–	24	20.3	–	–	–
Peak Downs East	UG	Met	–	–	–	–	–	668	17.5	–	–	–
<b>BHP Mitsui</b>												
Wards Well	UG	Met/Th	331	–	–	–	–	289	–	–	–	–
Lancewood	UG	Met	–	–	–	–	–	112	20.6	–	–	–
Bee Creek	OC	Met/Th	–	–	–	–	–	55	14.4	–	–	–
Nebo West	OC	Th	–	–	–	–	–	178	7.5	6 930	–	–
Poitrel/Winchester	OC	Met/Th	95	22.5	–	–	–	41	23.6	–	–	–
<b>Gregory JV</b>												
Liskeard	OC	Met	6	34.6	–	–	–	–	–	–	–	–
<b>Illawarra Coal Resources at operating mines</b>												
Appin	UG	Met/Th	161	–	–	–	–	195	–	–	–	–
West Cliff	UG	Met/Th	190	–	–	–	–	70	–	–	–	–
Cordeaux	UG	Met/Th	124	–	–	–	–	87	–	–	–	–
Elouera	UG	Met/Th	61	–	–	–	–	41	–	–	–	–
Dendrobium	UG	Met/Th	205	–	–	–	–	195	–	–	–	–
<b>Illawarra Coal Undeveloped Resources</b>												
A248 & 442	UG	Met/Th	128	–	–	–	–	231	–	–	–	–

## (1) Competent Persons

Queensland Coal Operations and undeveloped resources: D Dunn (MAusIMM)

Illawarra Coal Operations and undeveloped resources: B Clark (MAusIMM).

(2) Coal Resources are quoted in total inclusive of coal reserves.

(3) Mining method: OC = open cut, UG = underground.

Tonnes (millions)	Inferred Resource				Tonnes (millions)	Total Resource				BHP Billiton Interest %
	%VM <sup>(5)</sup>	kcal/kg CV <sup>(5)</sup>	%Ash <sup>(5)</sup>	%S <sup>(5)</sup>		%VM <sup>(5)</sup>	kcal/kg CV <sup>(5)</sup>	%Ash <sup>(5)</sup>	%S <sup>(5)</sup>	
110	21.7	–	9.5	0.52	896	23.3	–	9.1	0.53	50
84	22.0	–	9.0	0.53	685	22.4	–	8.5	0.53	50
35	22.6	–	–	–	1 198	20.8	–	–	–	50
147	21.1	–	–	–	492	20.7	–	–	–	50
72	18.1	–	–	–	710	18.2	–	–	–	50
143	17.4	–	–	–	559	17.5	–	–	–	50
318	25.2	7 460	–	–	675	25.5	7 490	–	–	50
67	–	7 222	–	–	253	–	7 148	–	–	50
385	–	7 005	–	–	729	–	7 117	–	–	50
1	32.6	–	–	–	22	33.6	–	–	–	50
3	32.9	–	–	–	134	33.3	–	–	–	50
2	25.0	–	–	–	9	23.5	–	–	–	80
79	13.0	7 711	–	–	372	13.9	7 683	–	–	80
306	18.0	–	–	–	801	19.1	–	–	–	50
–	–	–	–	–	25	26.3	–	12.4	0.50	50
–	–	–	–	–	99	20.5	–	–	–	50
104	18.4	–	–	–	772	17.7	–	–	–	50
–	–	–	–	–	620	21.6	–	–	–	80
–	–	–	–	–	112	20.6	–	–	–	80
5	13.0	–	–	–	60	14.2	–	–	–	80
–	–	–	–	–	178	7.5	6 930	–	–	80
8	24.5	–	–	–	144	22.9	–	–	–	80
–	–	–	–	–	6	34.6	–	–	–	50
38	–	–	–	–	394	–	–	–	–	100
11	–	–	–	–	271	–	–	–	–	100
4	–	–	–	–	215	–	–	–	–	100
1	–	–	–	–	102	–	–	–	–	100
78	–	–	–	–	477	–	–	–	–	100
72	–	–	–	–	431	–	–	–	–	100

<sup>(4)</sup> Coal type: Met = metallurgical coal, Th = thermal coal.

<sup>(5)</sup> Coal quality is for a potential product rather than the in situ quality and is on air dried basis. CV is calorific value, VM is volatile matter, and S is sulphur.

<sup>(6)</sup> Change due to depletion, additional data, remodelling, reclassification and amendment of OC and UG limits due to approval of Broadmeadow UG.

<sup>(7)</sup> Change due to depletion.

<sup>(8)</sup> Riverside and Goonyella mines are operated as a single mine; the Riverside Coal Resource quoted is a resource figure agreed to by the parties.

<sup>(9)</sup> Change due to inclusion of Rangals Resources in recent study.

SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION CONTINUED

Carbon Steel Materials Customer Sector Group continued

Ore Reserves

The tables below detail our iron ore, manganese and metallurgical coal Reserves (in metric tonnes) estimated as at 30 June 2004 in 100 per cent terms.

Iron Ore Reserves

Ownership Deposit	Ore Type <sup>(6)</sup>	Proved Ore Reserve <sup>(5)</sup>			Probable Ore Reserve <sup>(5)</sup>			Total Ore Reserve			BHP Billiton Interest %
		Tonnes (wmt millions)	%Fe	%P	Tonnes (wmt millions)	%Fe	%P	Tonnes (wmt millions)	%Fe	%P	
Iron Ore <sup>(1)(2)(3)(4)(7)</sup> Mt Newman JV <sup>(8)</sup>	BKM	569	62.9	0.06	320	62.1	0.09	889	62.6	0.07	85
	MM	52	62.3	0.07	14	61.7	0.05	66	62.2	0.07	85
Jimblebar <sup>(8)</sup>	BKM	154	62.3	0.07	56	62.2	0.08	210	62.3	0.07	100
Mt Goldsworthy JV Northern Areas	NIM	9	61.9	0.07	3	61.9	0.03	13	61.9	0.06	85
Mt Goldsworthy JV Area C <sup>(8)(9)</sup>	MM	343	62.0	0.06	156	62.5	0.06	499	62.2	0.06	85
Yandi JV <sup>(8)</sup>	CID	555	57.9	0.04	346	57.1	0.04	901	57.6	0.04	85
Samarco JV <sup>(10)</sup>	ROM	Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	Tonnes (dmt millions)	%Fe	%P	50
		328	45.8	0.04	208	45.1	0.04	536	45.6	0.04	

<sup>(1)</sup> The Reserve grades listed refer to head grades for iron (Fe) and phosphorus (P), on a dry weight basis. Moisture content for BKM = 3%, MM = 4%, CID = 8%, NIM = 3.5%. Iron Ore is marketed as Lump (direct blast furnace feed) and Fines (sinter plant feed). Samarco is marketed predominantly as direct reduction and blast furnace pellets.

<sup>(2)</sup> Mining dilution and mining recovery (in general around 95 per cent) has been taken into account in the estimation of reserves for all Western Australian Iron Ore operations. For Samarco the mine recovery is 96.5 per cent (not included in the reserve estimate) of the stated diluted reserve.

<sup>(3)</sup> Metallurgical recovery is 100 per cent for all of the West Australian Iron Ores except for the low-grade part of the Whaleback deposit (181 million tonnes) where the beneficiation plant recovery is 59 per cent. For Samarco the beneficiation plant recovery is 57 to 59 per cent.

<sup>(4)</sup> The following third party audits have been undertaken: Mt Newman JV Long-Term Mine Plan Audit, MineNet Consulting Mining Engineers, 2004; Jimblebar Mine Planning Review, MineNet Consulting Mining Engineers, 2003; and Mt Goldsworthy JV Northern Areas Mine Planning Review, Mine Operations, MineNet Consulting Mining Engineers, 2001.

<sup>(5)</sup> Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Mt Newman JV	100m x 50m	300m x 50m
Jimblebar	50m x 50m	100m x 50m
Mt Goldsworthy JV Northern Areas	25m x 25m generally	50m x 50m generally
Mt Goldsworthy JV Area C	240m x 60m	600m x 60m
Yandi JV	100m x 100m main ore zone, 75m x 75m weathered, marginal and basal zones	150m x 150m
Samarco JV	ALE 126: 180m x 159m x 16m, ALE 345: 150m x 114m x 16m, ALE 7: 150m x 150m x 16m, ALE 8: 250m x 250m x 16m, ALE 9: 150m x 150m x 24m	ALE 126: 360m x 318m x 16m, ALE 345: 300m x 228m x 16m, ALE 7: 300m x 300m x 16m, ALE 8: 500m x 500m x 16m, ALE 9: 300m x 300m x 24m

<sup>(6)</sup> Ore types are BKM – Brockman, MM – Marra Mamba, NIM – Nimingarra, and CID – Channel Iron Deposit.

<sup>(7)</sup> Competent Persons

Mt Newman JV, Jimblebar, Mt Goldsworthy JV Area C, Yandi JV: R Pasyar (MAusIMM) and P Schultz (MAusIMM)

Mt Goldsworthy JV Northern Areas: R Richardson (MAusIMM)

Samarco JV: J E Tizon (MAusIMM).

<sup>(8)</sup> Changes to the Reserves for Mt Newman JV and Jimblebar are due to changes to Fe cut-off grades used for reporting and changes to reconciliation factors. For Newman satellite mines and Jimblebar, low-grade screen material is no longer included in the Reserve due to the change in cut-off grade. Changes to Reserves for Area C and Yandi are due to completion of a new life of mine plan that incorporates deposits not previously reported, as well as changes to the Fe cut-off grade used for reporting. Changes to Yandi are also due to the inclusion of Lower CID, which has previously not been considered as a Reserve.

<sup>(9)</sup> Whilst 85 per cent is shown as the 'BHP Billiton Interest' for Area C, POSCO (a Korean steelmaker) has a 20 per cent legal interest in the C Deposit of Area C. In substance, the Group retains virtually all of this interest and this disclosure and the financial statements are prepared on this basis.

<sup>(10)</sup> Changes in the Samarco reserve from that reported in the 2003 Annual Report are due to conversion of resource to reserve based on exploratory drilling results, the use of updated density parameters and depletion due to production.

**Carbon Steel Materials Customer Sector Group** continued

**Manganese Ore Reserves**

Deposit	Ore Type	Proved Ore Reserve			Probable Ore Reserve			Total Ore Reserve			BHP Billiton Interest %
		Tonnes (dmt millions)	%Mn	%Yield	Tonnes (dmt millions)	%Mn	%Yield	Tonnes (dmt millions)	%Mn	%Yield	
<b>Manganese</b> <sup>(1)(2)(3)</sup>											
GEMCO	ROM	61	48.7	47	34	47.4	46	95	48.2	47	60
Wessels	ROM	2.5	48.0	–	10	48.0	–	13	48.0	–	60
Mamatwan <sup>(4)</sup>	ROM	Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	Tonnes (wmt millions)	%Mn	%Fe	60
		33	37.7	4.6	19	37.2	4.7	52	37.5	4.6	

(1) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
GEMCO	60m x 120m and 60m x 60m	120m x 120m
Wessels	Underground sampling within a 50m to 75m radius and incorporating 180m on average spaced surface holes.	Based predominately on 180m spaced drill holes supplemented by some underground drilling.
Mamatwan	40m x 40m	80m x 80m

(2) Metallurgical recoveries for the operations are:

	% Metallurgical Recovery
GEMCO	56.60%
Wessels	75%
Mamatwan	96%

(3) **Competent Persons**

GEMCO: E P W Swindell (SACNASP)

Wessels: E P Ferreira (SACNASP)

Mamatwan: O van Antwerpen (SACNASP).

(4) Mamatwan cut-off grade was revised from 37.5 per cent to 35 per cent.

## SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION CONTINUED

## Carbon Steel Materials Customer Sector Group continued

 Metallurgical Coal Reserves<sup>(6)</sup>

Ownership Deposit	Mining Method <sup>(1)</sup>	Recoverable Reserve <sup>(7)</sup> Tonnes (millions)	Tonnes (millions)	Marketable Reserve <sup>(7)</sup>			BHP Billiton Interest %	
				Calorific Value <sup>(2)</sup> (kcal/kg)	Volatile Matter <sup>(2)</sup> %	Sulphur <sup>(2)</sup> %		
<b>Queensland Coal Reserves at operating mines</b>								
<b>CQCA JV</b>								
	Goonyella <sup>(3)</sup>	OC, UG	885	567	–	23.6	0.53	50
	Peak Downs <sup>(4)</sup>	OC	981	555	–	20.4	–	50
	Saraji <sup>(4)</sup>	OC	575	331	–	18.4	–	50
	Norwich Park <sup>(4)</sup>	OC	100	71	–	16.8	–	50
	Blackwater <sup>(4)</sup>	OC	333	276	–	25.5	–	50
	South Blackwater <sup>(4)</sup>	OC	66	66	–	29.1	–	50
<b>Gregory JV</b>								
	Gregory <sup>(4)</sup>	OC	15	13	–	34.1	–	50
	Crinum <sup>(4)</sup>	UG	50	42	–	31.6	–	50
<b>BHP Mitsui</b>								
	Riverside <sup>(4)(5)</sup>	OC	4.4	3.1	–	–	–	80
	South Walker Ck <sup>(4)</sup>	OC	129	92	–	13.0	–	80
<b>Queensland Coal Undeveloped Reserves</b>								
<b>CQCA JV</b>								
	Daunia	OC	73	64	–	20.2	–	50
<b>BHP Mitsui</b>								
	Poitrel/Winchester	OC	79	62	–	22.8	–	80
	Nebo West	OC	22	16	–	7.0	–	80
<b>Illawarra Coal Reserves at operating mines</b>								
	Appin	UG	88	76	8 123	22.7	0.33	100
	West Cliff	UG	73	62	8 240	20.8	0.36	100
	Elouera	UG	3.0	2.1	8 261	23.9	0.57	100
	Dendrobium	UG	106	73	8 266	22.9	0.53	100

(1) Mining method: OC = open cut, UG = underground.

(2) Coal quality is for a potential product rather than the in situ quality and is on air dried basis.

(3) Change due to depletion, additional data, remodelling, reclassification and amendment of OC and UG limits due to approval of Broadmeadow UG.

(4) Change due to depletion.

(5) Riverside and Goonyella mines are operated as a single mine; the Riverside Coal Reserve quoted is a reserve figure agreed to by the parties.

(6) Competent Person for CQCA JV, Gregory JV and BHP Mitsui is B W Cox (MAusIMM), and for Illawarra B Clark (MAusIMM).

(7) Proved Ore Reserves: max. 1000m spacing of geophysically logged, analysed, coreholes with ≥95% recovery, Probable Ore Reserves: 1000 to 2000m spacing of geophysically logged, analysed, coreholes with ≥95% recovery. Recoverable Coal Reserves (tonnes) is the sum of Proved and Probable Coal Reserve estimates, which includes allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable Coal Reserve (tonnes) is the tonnage of coal available, at specified moisture and air-dried quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes, with moisture adjustment where applicable.

**Diamonds and Specialty Products Customer Sector Group**
**Mineral Resources**

The table below details the Mineral Resources for the Diamonds and Specialty Products Customer Sector Group as at 30 June 2004 in 100 per cent terms.

Ownership	Deposit	Measured Resource		Indicated Resource		Inferred Resource		Total Resource		BHP Billiton Interest %
		Tonnes (dmt millions)	cpt Diamonds	Tonnes (dmt millions)	cpt Diamonds	Tonnes (dmt millions)	cpt Diamonds	Tonnes (dmt millions)	cpt Diamonds	
<b>Diamond Resources</b> <sup>(1)(2)</sup>										
EKATI Core Zone	Beartooth	2.0	1.1	0.5	1.1	–	–	2.5	1.1	80
	Fox	5.6	0.4	13.2	0.4	7.9	0.4	26.7	0.4	80
	Koala (OC)	1.6	0.7	2.4	0.8	0.9	0.6	4.9	0.7	80
	Koala (UG)	3.7	1.8	6.7	0.7	0.5	1.2	10.9	1.1	80
	Koala North (UG)	–	–	1.6	0.5	–	–	1.6	0.5	80
	Misery	3.7	4.6	1.3	3.8	0.6	3.7	5.6	4.3	80
	Panda (UG)	3.3	1.2	1.1	1.2	–	–	4.4	1.2	80
	Pigeon	6.8	0.4	1.5	0.4	–	–	8.3	0.4	80
Sable	12.8	0.9	3.6	0.9	0.2	0.9	16.6	0.9	80	
EKATI Buffer Zone	Jay	–	–	22.8	2.0	15.3	2.1	38.1	2.1	58.8
	Lynx	1.2	0.8	0.2	0.8	–	–	1.4	0.8	58.8

(1) Resources presented are total resources inclusive of the resources converted to Ore Reserves and those not yet converted to Ore Reserves; they are reported using a 1.0mm size cut-off.

(2) Competent Person responsible is J Carlson (MAusIMM, NAPEGG).

**Ore Reserves**

The table below details the Ore Reserves for the Diamonds and Specialty Products Customer Sector Group as at 30 June 2004 (unless otherwise stated) in 100 per cent terms.

Commodity Ownership	Deposit	Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve		BHP Billiton Interest %
		Tonnes (dmt millions)	cpt Diamonds	Tonnes (dmt millions)	cpt Diamonds	Tonnes (dmt millions)	cpt Diamonds	
<b>Diamond Ore Reserves</b> <sup>(1)(2)(3)(4)</sup>								
EKATI Core Zone	Beartooth	1.1	0.8	0.1	0.8	1.2	0.8	80
	Fox	5.2	0.4	11.3	0.4	16.5	0.4	80
	Koala (OC)	1.2	0.6	2.0	0.7	3.2	0.7	80
	Koala (UG)	–	–	4.7	1.3	4.7	1.3	80
	Koala North (UG)	–	–	1.7	0.4	1.7	0.4	80
	Misery	3.4	2.2	0.7	1.7	4.1	2.1	80
	Panda (UG)	3.4	1.0	1.2	1.0	4.5	1.0	80
	Sable	9.1	0.6	1.2	0.6	10.3	0.6	80
<b>Titanium Ore Reserves</b> <sup>(5)</sup>		Tonnes (million)		Tonnes (million)		Tonnes (million)		
	Richards Bay Minerals	TiO <sub>2</sub> slag	6.9	21.5	28.4	50		

(1) An equivalent drill spacing of approximately 30m and 60m are used to classify Proved and Probable Reserves, respectively. Diamond recoveries are variable per ore type, based on an effective 2.0mm square screen size cut-off and included in the estimates of reserve grade.

(2) Third party reserve audits have not been conducted on our reserves for purposes of this Annual Report.

(3) Diamond prices used for Ore Reserves reflect marketing assumptions in our current business plan.

(4) The Competent Persons responsible are P Pecek (MAusIMM), W Boggis (MAusIMM) and P Harvey (MAusIMM).

(5) The Titanium Ore Reserves are as at 31 December 2003, and the Competent Person responsible is J Giroux (CIM/OEQ).

SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION CONTINUED
**Energy Coal Customer Sector Group**
**Energy Coal Resources** <sup>(3)</sup>

The table below details our Energy Coal Resources (in metric tonnes) estimated at 30 June 2004 in 100 per cent terms.

Deposit	Potential Mining Method <sup>(1)</sup>	Coal Type <sup>(2)</sup>	Measured Tonnes (millions)	Indicated Tonnes (millions)	Inferred Tonnes (millions)	Total Tonnes (millions)	BHP Billiton Interest %
<b>New Mexico – Operating mines</b>							
San Juan	UG	Th	229	16	–	245	100
Navajo	OC	Th	242	–	–	242	100
<b>South Africa – Operating mines</b>							
Douglas <sup>(4)</sup>	UG	Th	350	61	–	411	84
Khutala	OC & UG	Th	866	51	–	917	100
Koornfontein	UG	Th	34	–	–	34	100
Middelburg	OC	Th	618	–	–	618	84
Optimum	OC	Th	224	317	–	541	100
ZAC	UG	Anth	11	–	–	11	100
<b>South Africa – Projects</b>							
Klipfontein	OC	Th	93	–	–	93	100
Leandra North	UG	Th	443	134	–	577	100
Leandra South	UG	Th	–	474	–	474	100
Naudesbank	OC & UG	Th	19	33	79	131	100
Pegasus	OC	Th	11	–	–	11	100
Union	OC	Th	102	–	–	102	100
<b>South Africa – Mineral leases</b>							
Miscellaneous <sup>(5)</sup>	OC & UG	Met/Th	–	2 890	495	3 386	100
<b>Australia – Operating mine and project</b>							
Mt Arthur Coal	OC & UG	Th	710	2 191	395	3 296	100
<b>Australia – Projects</b>							
Togara South	UG	Th	317	639	1 059	2 015	100
Wyong	UG	Th	508	816	56	1 380	78
<b>Colombia – Operating mine</b>							
Cerrejon Coal Company	OC	Th	320	454	–	774	33.3

<sup>(1)</sup> OC = open cut, UG = underground.

<sup>(2)</sup> Th = thermal coal, Anth = Anthracite, Met = metallurgical coal.

<sup>(3)</sup> **Competent Persons**

San Juan: J Mercier (MAusIMM)

Navajo: D Rawson (MAusIMM)

Douglas: J H Marais (SACNASP)

Khutala: D J Lawrence (SACNASP)

Koornfontein: J H Marais (SACNASP)

Middelburg: J C van der Merwe (SACNASP)

Optimum: G J Cronje (SACNASP)

ZAC: J Liebenberg (SACNASP)

Klipfontein: J L Pienaar (SACNASP)

Leandra North, Leandra South, Naudesbank, Pegasus, Cerrejon Coal Company: C D van Niekerk (SACNASP)

Union, Mineral Leases – Miscellaneous: M A J Visser (SACNASP)

Mt Arthur Coal: P Grey (FAusIMM)

Togara South: D Dunn (MAusIMM)

Wyong: K Bartlett (MAusIMM).

<sup>(4)</sup> Douglas reserves decreased compared to 2003 mainly due to the transfer of reserves to Middelburg mine.

<sup>(5)</sup> South Africa Mineral lease miscellaneous coal resources have been reduced by 4 194 Mt from the previous 2003 base due to the relinquishment of uncommitted resources, changes in South African Minerals legislation and changes in the reporting policy that requires resources to be within fully permitted areas only.



**Energy Coal Customer Sector Group** continued

**Energy Coal Reserves** <sup>(3)(4)</sup>

The table below details our Energy Coal Reserves (in metric tonnes) estimated at 30 June 2004 in 100 per cent terms.

Deposit	Mining Method <sup>(1)</sup>	Coal Type <sup>(2)</sup>	Recoverable Coal Reserve <sup>(5)</sup> Tonnes (millions)	Marketable Coal Reserve <sup>(5)</sup>					BHP Billiton Interest %
				Tonnes (millions)	Calorific Value kcal/kg	Volatile Matter %	Sulphur %	Total Moisture <sup>(6)</sup>	
<b>New Mexico – Operating mines</b>									
San Juan	UG	Th	80	80	5 300	34.0	0.73	9.7	100
Navajo	OC	Th	224	224	4 800	–	0.84	13.0	100
<b>South Africa – Operating mines</b>									
Douglas	UG	Th	96	69	6 640	23.8	0.70	8.0	84
Khutala	OC & UG	Th	317	317	4 470	21.0	1.00	8.0	100
Koornfontein	UG	Th	11	7	6 560	25.0	0.80	7.5	100
Middelburg	OC	Th	326	269	6 630	25.0	0.60	6.7	84
Optimum	OC	Th	345	269	6 640	24.0	0.50	8.2	100
ZAC	UG	Anth	3	2	7 400	5.4	0.80	6.2	100
<b>Australia – Operating mine and project</b>									
Mt Arthur Coal <sup>(7)</sup>	OC	Th	268	231	6 274	30.0	0.62	9.7	100
<b>Colombia – Operating mine</b>									
Cerrejon Coal Company	OC	Th	747	702	6 200	–	0.64	13.7	33.3

<sup>(1)</sup> OC = open cut, UG = underground

<sup>(2)</sup> Th = thermal coal, Anth = Anthracite

<sup>(3)</sup> Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
San Juan	0-500m	500m-1Km
Navajo	1100m maximum nearest hole spacing, 180m average	NA
Douglas	>6 Boreholes per 100Ha	4-6 Boreholes per 100Ha
Khutala	>16 Boreholes per 100Ha	5-16 Boreholes per 100Ha
Koornfontein	>8 Boreholes per 100Ha	4-8 Boreholes per 100Ha
Middelburg	>16 Boreholes per 100Ha	5-16 Boreholes per 100Ha
Optimum	>16 Boreholes per 100Ha	5-16 Boreholes per 100Ha
ZAC	>16 Boreholes per 100Ha	5-16 Boreholes per 100Ha
Mt Arthur Coal	<500m	500-1000m
Cerrejon Coal Company	> 6 Boreholes per 100Ha	2-6 Boreholes per 100Ha

<sup>(4)</sup> **Competent Persons**

San Juan: J Mercier (MAusIMM)

Navajo: D Rawson (MAusIMM)

Douglas: J H Marais (SACNASP)

Khutala: D J Lawrence (SACNASP)

Koornfontein: J H Marais (SACNASP)

Middelburg: J C van der Merwe (SACNASP)

Optimum: G J Cronje (SACNASP)

ZAC: J Liebenberg (SACNASP)

Mt Arthur Coal: P Grey (FAusIMM)

Cerrejon Coal Company: C D van Niekerk (SACNASP).

<sup>(5)</sup> Recoverable Coal Reserves (tonnes) is the sum of Proved and Probable Coal Reserve estimates, which includes allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable Coal Reserve (tonnes) is the tonnage of coal available, at specified moisture and air-dried quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes, with moisture adjustment where applicable.

<sup>(6)</sup> Coal moisture content is on an as received basis.

<sup>(7)</sup> The Mt Arthur coal reserves have reduced from that reported in 2003 due mainly to the reclassification of reserves back to resources based on changes in reporting policy that requires reserves to be within fully permitted areas only.

SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION CONTINUED
**Stainless Steel Materials Customer Sector Group**
**Stainless Steel Mineral Resources** <sup>(1)(2)</sup>

The tables below detail Nickel and Chrome Mineral Resources (in metric tonnes) for the Stainless Steel Materials Customer Sector Group, as at 30 June 2004 in 100 per cent terms.

Commodity Deposit	Ore Type	Measured Resource		Indicated Resource		Inferred Resource		Total Resource		BHP Billiton Interest %
		Tonnes (dmt millions)	%Ni	Tonnes (dmt millions)	%Ni	Tonnes (dmt millions)	%Ni	Tonnes (dmt millions)	%Ni	
<b>Nickel</b>										
<b>Australia – Projects</b>										
Ravensthorpe <sup>(3)</sup>	Laterite	129	0.74	146	0.58	114	0.53	389	0.62	100
<b>Colombia</b>										
Cerro Matoso <sup>(4)</sup>	Laterite	47	1.75	29	1.37	6	1.29	82	1.59	99.8
		Tonnes (dmt millions)	%Cr <sub>2</sub> O <sub>3</sub>	Tonnes (dmt millions)	%Cr <sub>2</sub> O <sub>3</sub>	Tonnes (dmt millions)	%Cr <sub>2</sub> O <sub>3</sub>	Tonnes (dmt millions)	%Cr <sub>2</sub> O <sub>3</sub>	
<b>Chrome</b>										
<b>South Africa – Operating mines</b>										
Western Chrome	Oxide	36	40.8	47	41.5	21	41.0	104	41.1	60
Eastern Chrome	Oxide	39	40.7	93	41.9	74	42.9	206	42.0	60
<b>South Africa – Undeveloped</b>										
Chrome	Oxide	29	43.8	64	44.1	116	44.8	209	44.4	60

<sup>(1)</sup> Resources for Cerro Matoso nickel are estimated on the basis of a 1.0 per cent nickel cut-off, resources for Ravensthorpe nickel are estimated on the basis of a 0.3 per cent nickel cut-off; chrome is based on a 38 per cent Cr<sub>2</sub>O<sub>3</sub> in situ chromitite cut-off.

**<sup>(2)</sup> Competent Persons**

Ravensthorpe: A C Bailey (MAusIMM)

Cerro Matoso: C Rodriguez (MAusIMM)

Western Chrome: C J Steenkamp (MAusIMM)

Eastern Chrome: H B Swart (SACNASP)

Undeveloped Chrome: C D Beater (SACNASP).

<sup>(3)</sup> Ravensthorpe is being reported for the first time, following BHP Billiton Board approval for development in March 2004.

<sup>(4)</sup> The increased resource is a result of both exploration drilling undertaken in new areas on the edges of the deposit as well as a lowering of the cut-off grade from 1.1 per cent Ni to 1.0 per cent Ni.

**Stainless Steel Materials Customer Sector Group** continued

**Stainless Steel Ore Reserves** <sup>(1)(2)(3)(4)(5)</sup>

The table below details our Stainless Steel Materials Ore Reserves (in metric tonnes), estimated as at 30 June 2004.

Commodity Deposit	Ore Type	Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve		BHP Billiton Interest %
		Tonnes (dmt millions)	%Ni	Tonnes (dmt millions)	%Ni	Tonnes (dmt millions)	%Ni	
<b>Nickel</b>								
<b>Australia – Projects</b>								
Ravensthorpe <sup>(6)</sup>	Laterite	125	0.73	138	0.57	263	0.65	100
<b>Colombia</b>								
Cerro Matoso <sup>(7)</sup>	Laterite	38.7	1.89	11.7	1.59	50.4	1.82	99.8
<b>Chrome</b>								
<b>South Africa – Operating mines</b>								
Western Chrome	Oxide	10	36.1	14	35.9	24	36.0	60
Eastern Chrome	Oxide	6.8	37.9	10.7	41.2	17.5	39.9	60

(1) Mining dilution and mining recovery are accounted for in the reserve estimates.

(2) Reserves for Cerro Matoso nickel are estimated on the basis of a 1.0 per cent nickel cut-off, reserves for Ravensthorpe nickel are estimated on the basis of a diluted/contaminated resource model grade of 0.3 per cent nickel cut-off, chrome is based on a 38 per cent Cr<sub>2</sub>O<sub>3</sub> in situ chromitite cut-off.

(3) Metallurgical recoveries for the operations are: Cerro Matoso 86 per cent nickel; Western Chrome 73.6 per cent saleable from ROM; and Eastern Chrome 60–85 per cent saleable from ROM.

(4) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserve	Probable Ore Reserve
Ravensthorpe	40m x 50m	80m x 100m
Cerro Matoso	<17meters	>17m and <33m
Western Chrome	300m x 300m	600m x 600m
Eastern Chrome	300m x 300m	600m x 600m

(5) **Competent Persons**

Ravensthorpe: M J Bue (PEO)

Cerro Matoso: R Argel (MAUSIMM)

Western Chrome: C J Steenkamp (MAUSIMM)

Eastern Chrome: H B Swart (SACNASP).

(6) Ravensthorpe is being reported for the first time, following BHP Billiton Board approval for development in March 2004. Third party audits were carried out in 2003 by GRD Minproc Ltd, and by Golders Associates in 2004.

(7) The changes in the mineral resource at Cerro Matoso have not been carried through in the Life Of Mine Planning and Ore Reserve as yet. The Ore Reserve reported is thus the same as last year with a reduction for tonnage mined and a change in cut-off grade from 1.1 per cent to 1.0 per cent Ni.

## SHAREHOLDER INFORMATION

### Twenty largest shareholders as at 27 August 2004 (as named on the Register of Shareholders)

BHP Billiton Limited			BHP Billiton Plc				
	Number of fully paid shares	% of issued capital		Number of fully paid shares	% of issued capital		
1	Westpac Custodian Nominees Ltd	622 973 774	16.56	1	Plc Nominees Pty Limited	644 484 938	26.11
2	J P Morgan Nominees	550 078 470	14.63	2	Chase Nominees Limited	142 158 962	5.76
3	National Nominees Ltd	439 240 152	11.68	3	HSBC Global Custody Nominee (UK) Ltd <357206 A/C>	63 370 193	2.57
4	Citicorp Nominees Pty Ltd	237 253 441	6.31	4	BNY (OCS) Nominees Limited	52 678 144	2.13
5	Australian Mutual Provident Society	129 267 529	3.44	5	State Street Nominees Limited <OM02 A/C>	44 291 191	1.79
6	ANZ Nominees Ltd	107 559 543	2.86	6	Chase Nominees Limited <LEND A/C>	44 098 642	1.79
7	Queensland Investment Corporation	70 961 296	1.89	7	The Bank of New York (Nominees) Limited	43 902 465	1.78
8	HSBC Australia Nominees Pty Ltd	34 022 881	0.90	8	Bank of New York (Nominees) <CREST1 A/C>	42 140 300	1.71
9	RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C>	23 713 089	0.63	9	Mellon Nominees (UK) Limited <BSDTUSD A/C>	38 657 858	1.57
10	RBC Global Services Australia Nominees Pty Ltd	20 623 725	0.55	10	Mellon Nominees (UK) Limited <BSDTABN A/C>	37 271 877	1.51
11	NRMA Group	18 773 706	0.50	11	Nortrust Nominees Limited <SLEND A/C>	37 245 165	1.51
12	Westpac Financial Services Ltd	18 432 503	0.49	12	Nortrust Nominees Limited	34 840 951	1.41
13	Government Superannuation Office <State Super Fund A/C>	18 376 559	0.49	13	James Capel (Nominees) Limited <SPEC A/C>	31 138 004	1.26
14	Commonwealth Superannuation Board of Trustees	16 140 312	0.43	14	Chase Nominees Limited <USRESLD A/C>	30 872 919	1.25
15	Bond Street Custodians Limited	14 950 683	0.40	15	Chase Nominees Limited <SLGDBV A/C>	29 171 288	1.18
16	INVIA Custodian Pty Limited	12 925 097	0.34	16	Chase Nominees Limited <BGILIFEL A/C>	26 547 216	1.08
17	Victorian WorkCover Authority	12 520 806	0.33	17	State Street Nominees Limited <GB01 A/C>	22 450 484	0.91
18	IOOF Investment Management Limited	11 655 075	0.31	18	HSBC Global Custody Nominee (UK) Limited <899877 A/C>	22 277 805	0.90
19	RBC Global Services Australia Nominees Pty Ltd <PIPOOLED A/C>	11 079 252	0.29	19	Vidacos Nominees Limited <FGN A/C>	20 316 766	0.82
20	Australian Foundation Invest	10 968 234	0.29	20	Nutraco Nominees Limited	17 842 925	0.72
		2 381 516 127	63.32			1 425 758 093	57.76

### 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 <sup>(1)</sup>	11 Feb 04	197 616 150	8.01
The Capital Group of Companies <sup>(2)</sup>	2 Jun 04	195 110 685	7.91
Legal & General Investment Management Limited	14 Jun 02	75 230 880	3.05

<sup>(1)</sup> Old Mutual Life Assurance Company (South Africa) Limited holds 103 654 830 shares representing 4.20 per cent of the total disclosed for Old Mutual Plc group companies.

<sup>(2)</sup> Capital Guardian Trust Company holds 74 009 278 shares representing 3.00 per cent of the total disclosed for The Capital Group of Companies.

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

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
<b>Registered address</b>								
Australia	306 885	94.2	3 675 051 496	97.7	65	0.6	752 592	0.0
New Zealand	9 821	3.0	41 485 847	1.1	12	0.1	40 665	0.0
United Kingdom	4 757	1.5	21 393 137	0.6	9 124	81.6	1 810 825 676	73.4
United States	1 794	0.5	4 485 272	0.1	62	0.6	341 826	0.0
South Africa	43	0.0	123 463	0.0	1 453	13.0	649 556 824	26.3
Other	2 572	0.8	18 585 566	0.5	460	4.1	6 629 419	0.3
<b>Total</b>	<b>325 872</b>	<b>100.0</b>	<b>3 761 124 781</b>	<b>100.0</b>	<b>11 176</b>	<b>100.0</b>	<b>2 468 147 002</b>	<b>100.0</b>

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders Numbers	%	Shares <sup>(1)</sup> Numbers	%	Shareholders Numbers	%	Shares <sup>(1)</sup> Numbers	%
<b>Size of holding</b>								
1 – 500 <sup>(2)</sup>	79 771	24.5	21 539 528	0.6	2 678	24.0	615 487	0.0
501 – 1 000	64 177	19.7	51 223 964	1.4	2 270	20.3	1 706 252	0.1
1 001 – 5 000	132 127	40.5	311 476 599	8.3	3 892	34.8	8 340 324	0.3
5 001 – 10 000	26 967	8.3	193 431 552	5.1	596	5.4	4 174 317	0.2
10 001 – 25 000	16 452	5.1	249 230 499	6.6	428	3.8	6 866 953	0.3
25 001 – 50 000	3 882	1.2	133 509 409	3.5	225	2.0	8 117 592	0.3
50 001 – 100 000	1 568	0.5	107 749 389	2.9	240	2.0	17 326 998	0.7
100 001 – 250 000	646	0.2	93 360 503	2.5	307	2.8	48 183 579	2.0
250 001 – 500 000	133	0.0	44 684 895	1.2	163	1.5	57 823 879	2.3
500 001 – 1 000 000	50	0.0	35 214 587	0.9	150	1.4	106 692 458	4.3
1 000 001 and over	99	0.0	2 519 703 856	67.0	227	2.0	2 208 299 163	89.5
<b>Total</b>	<b>325 872</b>	<b>100.0</b>	<b>3 761 124 781</b>	<b>100.0</b>	<b>11 176</b>	<b>100.0</b>	<b>2 468 147 002</b>	<b>100.0</b>

(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 Numbers	%
<b>Classification of holder</b>								
Corporate	46 814	14.4	2 712 153 862	72.1	5 378	48.1	2 454 480 869	99.5
Private	279 058	85.6	1 048 970 919	27.9	5 798	51.9	13 666 133	0.5
<b>Total</b>	<b>325 872</b>	<b>100.0</b>	<b>3 761 124 781</b>	<b>100.0</b>	<b>11 176</b>	<b>100.0</b>	<b>2 468 147 002</b>	<b>100.0</b>

## INFORMATION FOR SHAREHOLDERS

Information for shareholders this year is provided in the 'BHP Billiton Limited Annual Report 2004 – Concise Report' and the 'BHP Billiton Limited Annual Report 2004 – Combined Financial Statements'.

The 'Concise Report' contains key information about the BHP Billiton Group in a concise format. The 'Combined Financial Statements' provides more detailed financial data and information on BHP Billiton Group's performance.

Note: The concise financial statements and its notes cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the BHP Billiton Group as the full financial statements. Both reports will be provided to shareholders on request and free of charge (also refer to 'Access your Annual Report on the web' below).

### Dividend payments

Shareholders who currently receive their dividends by cheque should note that dividend payments by direct credit will be mandatory as from the first dividend payable in 2005 for shareholders with registered addresses in Australia, New Zealand, the United Kingdom and the United States. Cash dividends can be paid directly into any bank, building society or credit union for Australian shareholders, any bank or building society for UK shareholders and your nominated bank for shareholders in New Zealand or the United States.

Shareholders with registered addresses outside Australia, New Zealand, the United Kingdom and the United States will receive dividend payments by way of an Australian currency cheque.

When you close or amend your banking arrangements, it is essential you notify the BHP Billiton Limited Share Registry of the new details.

### Change of address

It is important that shareholders notify the BHP Billiton Limited Share Registry in writing immediately if there is a change to their registered address. For the protection of shareholders, instructions to BHP Billiton Limited need to be in writing and show the Securityholder Reference Number (SRN). Shareholders on the CHES sub-register should forward the change of address advice to their sponsoring broker quoting the Holder Identification Number (HIN).

### Stock exchange listings

BHP Billiton Limited is listed on stock exchanges in Australia, the UK (London), Germany (Frankfurt), Switzerland (Zurich) and the US (New York).

Note: Trading on the New York Stock Exchange is via American Depositary Shares (each representing two Ordinary shares) evidenced by American Depositary Receipts (ADRs) issued by JPMorgan Chase Bank.

The trustees and dividend-paying banks for internationally registered shares are shown on the inside back cover of this report.

### Annual General Meeting

The Annual General Meeting of BHP Billiton Limited will be held at 11.00 am (Sydney Time) on Friday 22 October 2004 at the Harbourside Auditorium, Sydney Convention and Exhibition Centre, Darling Harbour, Sydney.

Details of the business of the meeting are contained in the separate Notice of Meeting enclosed with this Annual Report.

### Enquiries

Shareholders who wish to contact BHP Billiton Limited on any matter relating to their share or ADR holdings are invited to telephone the appropriate Shareholder Services office listed on the inside back cover of this report.

Shareholders can also access their current shareholding details through the Shareholder Services link located under 'Investor Centre' on BHP Billiton's website [www.bhpbilliton.com](http://www.bhpbilliton.com) (you will need your Securityholder Reference Number or Holder Identification Number).

Shareholders in Australia may telephone 1300 656 780 or write to our Share Registry:

Computershare Investor Services Pty Limited  
GPO Box 782  
Melbourne Victoria 3001  
Australia

### Access your Annual Report on the web

BHP Billiton Limited offers an alternative for shareholders to be advised of the availability of the Annual Report through the Company's website via an email notification (refer instructions below).

By providing an email address through our website on the internet, shareholders will be notified by an email with a direct link to the Annual Report. Notification of other major BHP Billiton Limited announcements will also be emailed to you.

### Email notification

Enter BHP Billiton Limited's website [www.bhpbilliton.com](http://www.bhpbilliton.com) and click onto 'Investor Centre' then 'Shareholder Services'. Under the heading 'Check Your Shareholding' click on the link 'Limited Securityholders'. You will be requested to enter your Securityholder Reference Number or Holder Identification Number and postcode or country code. This sign-on requirement is a security access validation prior to entering your email address under 'Electronic Shareholder Communication'.

After confirmation of your email address you will receive notification of the availability of future Annual Reports and other BHP Billiton Limited announcements by email.

## CORPORATE DIRECTORY

### **BHP BILLITON LIMITED REGISTERED OFFICE**

#### **Australia**

BHP Billiton Limited  
BHP Billiton Centre  
180 Lonsdale Street  
Melbourne VIC 3000  
Telephone (61 3) 9609 3333  
Facsimile (61 3) 9609 3015

#### **Company Secretary**

Karen J Wood

### **SHAREHOLDER SERVICES**

#### **Australia**

Principal Register and Share Office  
Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067  
Postal Address – GPO Box 2975 Melbourne VIC 3001  
Telephone 1300 656 780 (within Australia)  
(61 3) 9415 4020 (outside Australia)  
Facsimile (61 3) 9473 2460  
Email enquiries: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

#### **New Zealand**

Computershare Investor Services Limited  
Level 2/159 Hurstmere Road  
Takapuna North Shore City  
Postal Address – Bag 92119 Auckland 1020  
Telephone (64 9) 488 8777  
Facsimile (64 9) 488 8787

#### **United Kingdom**

The Registrar  
Computershare Investor Services PLC  
The Pavilions, Bridgwater Road  
Bristol BS99 7NH  
Postal Address – PO Box 82 Bristol BS99 7NH  
Telephone (44 870) 703 0051  
Facsimile (44 870) 703 6103

#### **United States**

Computershare Investor Services  
2 North LaSalle Street  
Chicago, IL 60602  
Postal Address – PO Box 0289  
Chicago, IL 60690-9569  
Telephone 1 800 991 8974 (toll-free within US)  
Facsimile (1 312) 461 4331  
  
ADR Depositary, Transfer Agent and Registrar  
JPMorgan Chase Bank  
Shareholder Services  
PO Box 43013  
Providence, RI 02940-3013  
Telephone (1 781) 575 4328 (outside of US)  
1 800 990 1135 (toll-free within US)  
Facsimile (1 781) 575 4082  
Email: [adr@jpmorgan.com](mailto:adr@jpmorgan.com)

### **Other details provided to assist shareholders.**

#### **Germany**

*Trustee*  
Deutsche Boerse Clearing AG  
*Dividend-paying bank*  
Deutsche Bank AG

#### **Switzerland**

*Trustee*  
SEGA Schweizerrische  
Effekten-Giro AG  
*Dividend-paying bank*  
UBS AG  
Credit Suisse First Boston

### **BHP BILLITON CORPORATE CENTRES**

#### **United Kingdom**

Neathouse Place  
London SW1V 1BH  
Telephone (44 20) 7802 4000  
Facsimile (44 20) 7802 4111

#### **South Africa**

6 Hollard Street  
Johannesburg 2001  
Telephone (27 11) 376 9111  
Facsimile (27 11) 838 4716

#### **Chile**

Avenida Americo Vespucio Sur # 100, 9th Floor  
Las Condes  
Santiago  
Telephone (56 2) 330 5000  
Facsimile (56 2) 207 6531

#### **United States**

1360 Post Oak Boulevard, Suite 150  
Houston, TX 77056-3020  
Telephone (1 713) 961 8500  
Facsimile (1 713) 961 8400

### **MARKETING OFFICES**

#### **The Netherlands**

Verheeskade 25  
2521 BE The Hague  
Telephone (31 70) 315 6666  
Facsimile (31 70) 315 6767

#### **Singapore**

168 Robinson Road #10-01  
Capital Tower  
Singapore 068912  
Telephone (65) 6349 3333  
Facsimile (65) 6349 4000

