BHP BILLITON GROUP

ANNUAL FINANCIAL STATEMENTS

For the year ended
30 June 2006

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the members of BHP Billiton Plc and BHP Billiton Limited:

We have audited the accompanying consolidated balance sheets of the BHP Billiton Group (comprising BHP Billiton Plc, BHP Billiton Limited and their respective subsidiaries) as of 30 June 2006 and 2005, and the related consolidated profit and loss accounts, consolidated statements of total recognised income and expense and consolidated statements of cash flows for the two years ended 30 June 2006. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the BHP Billiton Group at 30 June 2006 and 2005, and the results of their operations and their cash flows for each of the years in the two year period ended 30 June 2006 in conformity with International Financial Reporting Standards as adopted by the European Union.

As discussed in Note 1 to the consolidated financial statements, as a result of adopting IAS 32/AASB 132 "Financial Instruments: Disclosure and Presentation" and IAS 39/AASB 139 "Financial Instruments: Recognition and Measurement" on 1 July 2005, the Group changed its method of accounting for financial instruments. In accordance with an election taken under the relevant transitional provisions, the prior period comparatives have not been re-stated.

International Financial Reporting Standards as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 39 to the consolidated financial statements.

As discussed in Note 39 to the consolidated financial statements, on 1 July 2005 the Group changed its accounting for pension and other post retirement benefits under accounting principles generally accepted in the United States of America. In accordance with the requirements of APB 20 "Accounting Changes", the prior period comparatives have not been re-stated.

KPMG Audit Plc
London, United Kingdom
25 September 2006

KPMG
Melbourne, Australia
25 September 2006

Consolidated Income Statement

for the year ended 30 June 2006

	Notes	2006 US$M	2005 US$M
Revenue together with share of jointly controlled entities' revenue			
Group production		34,139	24,759
Third party products	2	4,960	6,391
	2	39,099	31,150
Less: Share of jointly controlled entities' external revenue included above	2, 15	(6,946)	(4,428)
Revenue		32,153	26,722
Other income	3	1,227	757
Expenses excluding finance costs	4	(22,403)	(19,995)
Share of profits from jointly controlled entities	15	3,694	1,787
Profit from operations		14,671	9,271
Comprising:			
Group production	2	14,560	9,157
Third party products	2	111	114
	2	14,671	9,271
Financial income	6	226	216
Financial expenses	6	(731)	(547)
Net finance costs	6	(505)	(331)
Profit before taxation		14,166	8,940
Income tax expense	8	(3,207)	(1,876)
Royalty related taxation (net of income tax benefit)	8	(425)	(436)
Total taxation expense	8	(3,632)	(2,312)
Profit after taxation		10,534	6,628
Profit attributable to minority interests		84	232
Profit attributable to members of BHP Billiton Group		10,450	6,396
Earnings per ordinary share (basic) (US cents)	9	173.2	104.4
Earnings per ordinary share (diluted) (US cents)	9	172.4	104.0
Dividends per ordinary share – paid during the period (US cents)	10	32.0	23.0
Dividends per ordinary share – declared in respect of the period (US cents)	10	36.0	28.0

The accompanying notes form part of these financial statements.

Consolidated Statement of Recognised Income and Expense

for the year ended 30 June 2006

	Notes	2006 US$M	2005 US$M
Profit after taxation		10,534	6,628
Amounts recognised directly in equity			
Actuarial gains/(losses) on pension and medical schemes		111	(149)
Available for sale investments:			
Valuation gains/(losses) taken to equity		(1)	–
Cash flow hedges:			
(Losses)/gains taken to equity		(27)	–
(Gains)/losses transferred to the initial carrying amount of hedged items		(25)	–
Exchange fluctuations on translation of foreign operations		(1)	7
Tax on items recognised directly in or transferred from, equity		4	52
Total amounts recognised directly in equity		61	(90)
Total recognised income and expense for the year		10,595	6,538
Attributable to minority interests		84	232
Attributable to members of BHP Billiton Group		10,511	6,306

	Notes	2006 US$M	2005 US$M
Effect of change in accounting policy			
Impact of adoption of IAS 39 / AASB 139 (net of tax) to:			
- retained earnings	25, 26	55	–
- hedging reserve	26	30	–
- financial assets reserve	26	116	–
Total effect of change in accounting policy		201	–
Attributable to minority interests		–	–
Attributable to members of BHP Billiton Group		201	–

The accompanying notes form part of these financial statements

Consolidated Balance Sheet

as at 30 June 2006

	Notes	2006 US$M	2005 US$M
ASSETS			
Current assets			
Cash and cash equivalents	32	776	1,222
Trade and other receivables	11	3,831	3,175
Other financial assets	12	808	69
Inventories	13	2,732	2,422
Assets held for sale	14	469	–
Other		160	148
Total current assets		8,776	7,036
Non-current assets			
Trade and other receivables	11	813	786
Other financial assets	12	950	257
Inventories	13	93	101
Investments in jointly controlled entities	15	4,299	3,254
Property, plant and equipment	16	30,985	27,764
Intangible assets	17	683	667
Deferred tax assets	8	1,829	1,906
Other		88	72
Total non-current assets		39,740	34,807
Total assets		48,516	41,843
LIABILITIES			
Current liabilities			
Trade and other payables	18	4,053	3,856
Interest bearing liabilities	19	1,368	1,298
Liabilities held for sale	14	192	–
Other financial liabilities	20	544	–
Current tax payable		1,358	936
Provisions	21	1,067	1,097
Deferred income		279	262
Total current liabilities		8,861	7,449
Non-current liabilities			
Trade and other payables	18	169	156
Interest bearing liabilities	19	7,648	8,651
Other financial liabilities	20	289	–
Deferred tax liabilities	8	1,592	2,351
Provisions	21	4,853	4,613
Deferred income		649	707
Total non-current liabilities		15,200	16,478
Total liabilities		24,061	23,927
Net assets		24,455	17,916
EQUITY			
Share capital – BHP Billiton Limited [(a)]	23	1,490	1,611
Share capital – BHP Billiton Plc [(b)]	23	1,234	1,234
Share premium account	24	518	518
Treasury shares held	23	(418)	(8)
Reserves	24	306	161
Retained earnings	25	21,088	14,059
Total equity attributable to members of BHP Billiton Group		24,218	17,575
Minority interests	26	237	341
Total equity	26	24,455	17,916

(a) Ordinary shares of BHP Billiton Limited are 3,495,949,933 (2005: 3,587,977,615).

(b) Authorised ordinary shares of BHP Billiton Plc are 3,000,000,000 (2005: 3,000,000,000) with a nominal value of US$0.50 (2005: US$0.50), of which 531,852,998 (2005: 531,852,998) remain unissued.

The accompanying notes form part of these financial statements

Consolidated Cash Flow Statement

for the year ended 30 June 2006

	Notes	2006 US$M	2005 US$M
Operating activities			
Receipts from customers		32,938	28,425
Payments to suppliers and employees		(20,944)	(18,801)
Cash generated from operations		11,994	9,624
Dividends received		2,671	1,002
Interest received		121	90
Interest paid		(499)	(315)
Income tax paid		(3,152)	(1,476)
Royalty related taxation paid		(659)	(551)
Net operating cash flows	32	10,476	8,374
Investing activities			
Purchases of property, plant and equipment		(5,239)	(3,450)
Exploration expenditure (including amounts capitalised)		(766)	(531)
Purchases of investments and funding of jointly controlled entities		(65)	(42)
Purchases of, or increased investment in, subsidiaries, operations and jointly controlled entities, net of their cash		(531)	(6,198)
Cash outflows from investing activities		(6,601)	(10,221)
Proceeds from sale of property, plant and equipment		92	153
Proceeds from sale or redemption of investments		153	227
Proceeds from sale or partial sale of subsidiaries, operations and jointly controlled entities, net of their cash		844	675
Net investing cash flows		(5,512)	(9,166)
Financing activities			
Proceeds from ordinary share issues		34	66
Proceeds from interest bearing liabilities		5,912	5 668
Repayment of interest bearing liabilities		(7,013)	(1,735)
Purchase of shares by Employee Share Ownership Plan Trusts		(187)	(47)
Share buy-back – BHP Billiton Limited		(1,619)	(1,792)
Share buy-back – BHP Billiton Plc		(409)	–
Dividends paid		(1,936)	(1,404)
Dividends paid to minority interests		(190)	(238)
Repayment of finance leases		(4)	(22)
Net financing cash flows		(5,412)	496
Net decrease in cash and cash equivalents		(448)	(296)
Cash and cash equivalents, net of overdrafts, at beginning of year	32	1,207	1,509
Effect of foreign currency exchange rate changes on cash and cash equivalents		1	(6)
Cash and cash equivalents, net of overdrafts, at end of year	32	760	1,207

The accompanying notes form part of these financial statements.

1 Accounting policies

Dual Listed Companies' structure and basis of preparation of financial statements

Merger terms

On 29 June 2001, BHP Billiton Plc (previously known as Billiton Plc), a UK listed company, and BHP Billiton Limited (previously known as BHP Limited), an Australian 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 Plc and its subsidiaries (the BHP Billiton Plc Group) and BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited 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 Plc and BHP Billiton Limited have a common economic interest in both Groups;
- the shareholders of BHP Billiton Plc and BHP Billiton Limited 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 Plc and BHP Billiton Limited 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 Plc and BHP Billiton Limited 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 Plc or BHP Billiton Limited 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 Plc or BHP Billiton Limited 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 Plc or BHP Billiton Limited, any change of ownership of any existing shares or securities of BHP Billiton Plc or BHP Billiton Limited, 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 Plc and one share in BHP Billiton Limited 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

The basis of accounting for the DLC merger was established under Australian and UK Generally Accepted Accounting Principles (GAAP), pursuant to the requirements of the Australian Securities and Investments Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, and in accordance with the UK Companies Act 1985. In accordance with the transitional provisions of IFRS 1/AASB 1 'First-time Adoption of International Financial Reporting Standards', the same basis of accounting is applied under International Financial Reporting Standards. Accordingly, this annual financial report presents the merged BHP Billiton Group as follows:

- Results for the years ended 30 June 2006 and 30 June 2005 are of the combined merged entity comprising the BHP Billiton Plc Group and the BHP Billiton Limited Group;
- Assets and liabilities of the BHP Billiton Plc Group and the BHP Billiton Limited Group were combined at the date of the merger at their existing carrying amounts;

1 Accounting policies continued

Basis of preparation

This general purpose financial report for the year ended 30 June 2006 has been prepared in accordance with the requirements of the UK Companies Act 1985 and Australian Corporations Act 2001 and with:

- Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board (AASB) and interpretations effective as of 30 June 2006
- International Financial Reporting Standards and interpretations as adopted by the European Union (EU) as of 30 June 2006
- those standards and interpretations adopted early as described below

The above standards and interpretations are collectively referred to as 'IFRS' in this report.

The comparative information has also been prepared on this basis, with the exception of certain items, details of which are given below, for which comparative information has not been restated.

This is the BHP Billiton Group's first IFRS annual financial report. The basis of preparation is different to that of the most recent comparative year's annual financial report due to the first time adoption of IFRS. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the BHP Billiton Group is provided in note 38. This note includes reconciliations of equity and profit for comparative periods previously reported under UK GAAP and Australian GAAP to those amounts reported under IFRS.

A reconciliation of the major differences between the financial information prepared under IFRS compared to US GAAP is included in note 39.

This financial report has been prepared on the basis of IFRS in issue that are effective, or except as described below, available for early adoption at the BHP Billiton Group's first IFRS annual reporting date of 30 June 2006. Except as noted below, the BHP Billiton Group has elected to early adopt all Australian Accounting Standards, IFRS as adopted by the EU and interpretations that have commencement dates later than the BHP Billiton Group's IFRS transition date of 1 July 2004 and which permit early adoption. The decision to early adopt those standards and interpretations ensures that policy elections described below, including IFRS transition exemptions, are available. The principal standards and interpretations that have been early adopted are:

- IFRS 6 'Exploration for and Evaluation of Mineral Resources'
- revised IAS 19/AASB 119 'Employee Benefits'
- International Financial Reporting Interpretations Committee (IFRIC) pronouncement 5/Urgent Issues Group (UIG) Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'

The BHP Billiton Group did not early adopt IFRS 7/AASB 7 'Financial Instruments: Disclosures', and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The potential impact had the standards been adopted early has not been determined.

IFRS 1/AASB 1 'First-time Adoption of International Financial Reporting Standards', which governs the first time adoption of IFRS, in general requires accounting policies to be applied retrospectively to determine the opening balance sheet at the BHP Billiton Group's IFRS transition date of 1 July 2004, and allows certain exemptions on the transition to IFRS, which the BHP Billiton Group has elected to apply.

1 Accounting policies continued

Those elections considered significant to the BHP Billiton Group include decisions to:

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

In addition, as described below, BHP Billiton has applied the exemption available under IFRS 1/AASB 1 whereby International Accounting Standard (IAS) 32/AASB 132 'Financial Instruments: Disclosure and Presentation' and IAS 39/AASB 139 'Financial Instruments: Recognition and Measurement' have been applied from 1 July 2005 and not for the year ended 30 June 2005.

Basis of measurement
The financial report is drawn up on the basis of historical cost principles, except for derivative financial instruments and investments held for trading or available for sale, which are measured at fair value.

Currency of presentation
All amounts are expressed in millions of US dollars, unless otherwise stated, consistent with the predominant functional currency of the BHP Billiton Group's operations.

Change in accounting policy
The accounting policies have been consistently applied by all entities included in the BHP Billiton Group consolidated financial report and are consistent with those applied in the prior year, except for:

Financial instruments
In the current year, the Group adopted IAS 32/AASB 132 'Financial Instruments: Disclosure and Presentation' and IAS 39/ AASB 139 'Financial Instruments: Recognition and Measurement' from 1 July 2005. Prior to 1 July 2005, the principal accounting policies affecting financial instruments were as follows:

- Available for sale investments were classified as fixed asset investments and, other than for joint ventures and associates, were stated individually at cost less provisions for impairment.
- Trading investments were classified as current asset investments and valued at the lower of cost and net realisable value. In determining net realisable values, market values were used in the case of listed investments and Directors' estimates were used in the case of unlisted investments.
- Derivative financial instruments were accounted for using Australian GAAP and UK GAAP hedge accounting principles whereby derivatives were matched to specifically identified commercial risks being hedged. These matching principles were applied using accrual accounting methods to both realised and unrealised transactions. Derivatives undertaken as hedges of anticipated transactions were recognised when such transactions were recognised. Upon recognition of the underlying transaction, derivatives were valued at the appropriate market spot rate. When an underlying transaction could no longer be identified, gains or losses on a derivative previously designated as a hedge of that transaction were taken to the income statement, whether or not the derivative was terminated. When a hedge was terminated, the deferred gain or loss that arose prior to termination was:
  (a) deferred and included in the measurement of the anticipated transaction when it occurred; or
  (b) taken to the income statement when the anticipated transaction was no longer expected to occur.
- The premiums paid on interest rate options and foreign currency put and call options were included in debtors and were deferred and included in the settlement of the underlying transaction.

1 Accounting policies continued

The adoption of IAS 32/AASB 132 'Financial Instruments: Disclosure and Presentation' and IAS 39/AASB 139 'Financial Instruments: Recognition and Measurement' has resulted in the Group recognising available for sale investments and all derivative financial instruments as assets or liabilities at fair value. Accordingly, transitional adjustments in respect of IAS 32/AASB 132 and IAS 39/AASB 139 have been recorded in the opening balance sheet and against retained profits and reserves, as applicable, at 1 July 2005.

As a consequence of adopting IAS 32/AASB 132 and IAS 39/AASB 139 at 1 July 2005, equity attributable to BHP Billiton Group shareholders increased US$201 million as set out in the consolidated statement of recognised income and expense. This was net of consequential increases in deferred tax liabilities of US$37 million. This represents the net gain on measuring at fair value qualifying hedges, embedded derivatives, available for sale investments and certain derivatives that do not qualify as hedges, which were not recognised on a fair value basis prior to 1 July 2005. The major balance sheet items affected were financial assets: increase of US$1,279 million, financial liabilities: increase of US$634 million, and borrowings: increase of US$411 million. The net impact on other balance sheet items was a debit of US$3 million.

Principles of consolidation

The financial report of the BHP Billiton Group includes the consolidation of BHP Billiton Limited, BHP Billiton Plc and their respective subsidiaries. Subsidiaries are entities controlled by either parent entity. Control exists where either parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial report from the date control commences until the date control ceases. Where the BHP Billiton Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in minority interests. The effects of all transactions between entities within the BHP Billiton Group have been eliminated.

Joint ventures

The BHP Billiton Group undertakes a number of business activities through joint ventures. Joint ventures are established through contractual arrangements that require the unanimous consent of each of the venturers regarding the strategic financial and operating policies of the venture (joint control). The BHP Billiton Group's joint ventures are of two types:

Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the equity method and are carried at the lower of the equity accounted amount and recoverable amount. The share of jointly controlled entities' net profit or loss is recognised in the income statement from the date that joint control commences until the date at which it ceases. Movements in reserves are recognised in the BHP Billiton Group's reserves.

Jointly controlled assets and operations

The BHP Billiton Group has certain contractual arrangements with other participants to engage in joint activities that do not give rise to a jointly controlled entity. These arrangements involve the joint ownership of assets dedicated to the purposes of each venture. These contractual arrangements do not create a jointly controlled entity due to the fact that the joint venture operates under the policies of the venturers that directly derive the benefits of operation of their jointly owned assets, rather than deriving returns from an interest in a separate entity.

The financial report of the BHP Billiton Group includes its share of the assets in such joint ventures, together with the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement, which are usually in proportion to the BHP Billiton Group's interest in the jointly controlled assets.

1 Accounting policies continued

Intangible assets and goodwill

Amounts paid for the acquisition of identifiable intangible assets, such as patents, trademarks and licences, are capitalised at the fair value of consideration paid and are recorded at cost less accumulated amortisation and impairment charges. Identifiable intangible assets with a finite life are amortised on a straight-line basis over their expected useful life, which is typically no greater than eight years. The BHP Billiton Group has no identifiable intangible assets for which the expected useful life is indefinite.

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets and liabilities acquired, the difference is treated as goodwill. Goodwill is not amortised, however the carrying amount of all goodwill and identifiable intangible assets with an indefinite useful life is assessed annually against its recoverable amount as explained below under 'Impairment of non-current assets'.

On the subsequent disposal or termination of a previously acquired business, any remaining balance of associated goodwill and identifiable intangible assets is included in the determination of the profit or loss on disposal or termination.

Foreign currencies

The BHP Billiton Group's reporting currency and the functional currency of the majority of its operations is the US dollar as this is the principal currency of the economic environments in which they operate.

Transactions denominated in foreign currencies (currencies other than the functional currency of an operation) are recorded using the exchange rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at year end and the gains or losses on retranslation are included in the income statement, 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 currency borrowings designated as a hedge of the net assets of foreign operations.

The income statement of subsidiaries and joint ventures that have functional currencies other than US dollars are translated to US dollars at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at the year end. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint ventures, together with differences between their income statement translated at actual and closing rates, are recognised in the foreign currency translation reserve. For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognised in the income statement at the time of disposal.

1 Accounting policies continued

Share-based payments
For share-based payments, the fair value at grant date of equity settled share awards made by the BHP Billiton Group is charged to the income statement over the period for which the benefits of employee services are expected to be derived. The corresponding accrued employee entitlement is recorded in the employee share awards reserve. The fair value of awards is calculated using an option pricing model which considers the following factors:

- exercise price
- expected life of the award
- current market price of the underlying shares
- expected volatility
- expected dividends
- risk-free interest rate
- market-based performance hurdles

Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognised is proportionately reversed. Where BHP Billiton Group shares are acquired by on-market purchases prior to settling vested entitlements, the cost of the acquired shares is carried as treasury shares and deducted from equity. When awards are satisfied by delivery of acquired shares, any difference between their acquisition cost and the remuneration expense recognised is charged directly to retained earnings. The tax effect of awards granted is recognised in income tax expense, except to the extent that the total tax deductions are expected to exceed the cumulative remuneration expense. In this situation, the excess of the associated current or deferred tax is recognised in equity as part of the employee share awards reserve.

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 collectability is reasonably assured. This is generally when title passes.

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

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

In the case of certain exchange traded commodities, the sales price is determined on a provisional basis at the date of sale; adjustments to the sales price occurs based on movements in quoted market prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between 60 and 120 days. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

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

The BHP Billiton Group separately discloses sales of Group production from sales of third party products due to the significant difference in profit margin earned on these sales.

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral and petroleum resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting market and finance studies

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure (including amortisation of capitalised licence costs) is charged to the income statement as incurred except in the following circumstances, in which case the expenditure is capitalised:

- In respect of minerals activities:
  - the exploration and evaluation activity is within an area of interest which was previously acquired in a business combination and measured at fair value on acquisition, or where a final feasibility study has been completed indicating the existence of commercially recoverable reserves.

- In respect of petroleum activities:
  - the exploration and evaluation activity is within an area of interest for which it is expected that the expenditure will be recouped by future exploitation or sale; or
  - at the balance sheet date, exploration and evaluation activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Capitalised exploration and evaluation expenditure is recorded as a component of property, plant and equipment at cost less impairment charges. As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit (CGU)) to which the exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

Development expenditure

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as ‘Assets under construction’, and is disclosed as a component of property, plant and equipment. Development expenditure for both minerals and petroleum activities is capitalised and classified as assets under construction. As the asset is not available for use, it is not depreciated. On completion of development, any capitalised exploration and evaluation expenditure, together with the subsequent development expenditure, is classified as either property, plant and equipment or other mineral assets and amortised on a unit of production basis.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment charges.

Disposals

Disposals are taken to account in the income statement. Where the disposal involves the sale or abandonment of a significant business or all of the assets associated with such a business the gain or loss is treated as an exceptional item.

Mineral rights

Acquired mineral rights are capitalised and classified as other mineral assets and depreciated from commencement of production on a unit of production basis over the estimated life of the asset.

The BHP Billiton Group’s mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all declared 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 initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. The major categories of property, plant and equipment are depreciated on a unit of production and/or straight-line basis using estimated lives 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 unit of production basis
• Exploration, evaluation and development expenditure on mineral assets and other mining assets	– over the life of the proved and probable reserves on a unit of production basis
• Petroleum interests	– over the life of the proved developed oil and gas reserves on a unit of production basis
• Leasehold 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

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 at the lower of the fair value of the property, plant and equipment or 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 included in the income statement on a straight-line basis over the lease term. Provision is made for the present value of 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 reduction of the liability.

Impairment of non-current assets
Formal impairment tests are carried out annually for goodwill, indefinite life intangible assets and intangible assets not yet available for use. Formal impairment tests for all other assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. The BHP Billiton Group conducts annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future processes, costs and other market factors are also monitored to assess for indications of impairment. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Direct costs of selling the asset are deducted. Fair value for mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that a market participant could take into account. These cash flows are discounted by an appropriate discount rate to arrive at a net present value (NPV) of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Group's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result (usually lower) to a fair value calculation.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The impairment assessments are based on a range of estimates and assumptions, including:

Estimates/assumptions:	Basis:
Future production	Proved and probable reserves, resource estimates and, in certain cases, expansion projects
Commodity prices	Forward market and contract prices, and longer-term price protocol estimates
Exchange rates	Current (forward) market exchange rates
Discount rates	Cost of capital risk adjusted for the resource concerned

Overburden removal costs
Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are capitalised as development costs. Capitalisation of development stripping costs ceases, and depreciation of those capitalised costs commences, at the time that saleable materials begin to be extracted from the mine. Depreciation of capitalised development stripping costs is determined on a unit of production basis for each separate area of interest.

Removal of waste material normally continues throughout the life of a mine. This activity is referred to as production stripping and commences at the time that saleable materials begin to be extracted from the mine. The costs of production stripping are charged to the income statement as operating costs when the ratio of waste material to ore extracted for an area of interest is expected to be constant throughout its estimated life. When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- All costs are initially charged to the income statement and classified as operating costs.
- When the current ratio of waste to ore is greater than the estimated life of mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised.
- In subsequent years when the ratio of waste to ore is less than the estimated life of mine ratio, a portion of capitalised stripping costs is charged to the income statement as operating costs.

The amount of production stripping costs capitalised or charged in a financial year is determined so that the stripping expense for the financial year reflects the estimated life of mine ratio. Changes to the estimated life of mine ratio are accounted for prospectively from the date of the change.

Capitalised development stripping costs are classified as 'Plant and equipment' and capitalised production stripping costs are classified as 'Other mineral assets'. These assets are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

Inventories/stocks
Inventories/stocks, 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. 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.

Finance costs
Finance costs are generally expensed as incurred except where they relate to the financing of construction or development of qualifying assets requiring a substantial period of time to prepare for their intended future use.

Finance costs are capitalised up to the date when the asset is ready for its intended use. The amount of finance costs capitalised (before the effects of income 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.

Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the tax amounts are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantively enacted at the year end, and includes any adjustment to tax payable in respect of previous years. It further excludes items that are never taxable or deductible.

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax assessment or deduction purposes. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains tax purposes, that amount is included in the determination of temporary differences. The tax effect of certain temporary differences is not recognised, principally with respect to goodwill; temporary differences arising on the initial recognition of assets or liabilities (other than those arising in a business combination or in a manner that initially impacted accounting or taxable profit); and temporary differences relating to investments in subsidiaries, jointly controlled entities and associates to the extent that the BHP Billiton Group is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner and timing of realisation or settlement of the carrying amount of assets and liabilities, with the exception of items that have a tax base solely derived under capital gains tax legislation, using tax rates enacted or substantively enacted at period end. To the extent that an item's tax base is solely derived from the amount deductible under capital gains tax legislation, deferred tax is determined as if such amounts are deductible in determining future assessable income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and amended to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the BHP Billiton Group has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

Royalties and resource rent taxes are treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under Government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included in expenses.

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 liability, including obligations for funding shortfalls, is determined after deducting the fair value of dedicated assets of such funds.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave obliged 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 for which settlement within 12 months of the reporting date can not be deferred is recognised in the current provision for employee benefits and is measured in accordance with annual leave described above. The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognised in the non-current 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 income statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets. Actuarial gains and losses are recognised in full directly in equity. An asset or liability is consequently recognised in the balance sheet based on the present value of defined benefit obligations, less any unrecognised past service costs and the fair value of plan assets, except that any such asset can not exceed the total of unrecognised past service costs and the present value of refunds from and reductions in future contributions to the plan.

Certain BHP Billiton Group companies provide post-retirement medical benefits to qualifying retirees. In some cases the benefits are provided through medical care schemes to which the Group, the employees, the retirees and covered family members contribute. In some schemes there is no funding of the benefits before retirement. These schemes are recognised on the same basis as described above for defined benefit pension schemes.

Restoration and rehabilitation

The mining, extraction and processing activities of the BHP Billiton Group normally give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; land rehabilitation; and site restoration. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the BHP Billiton Group's environmental policies.

Provisions for the cost of each restoration and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all restoration and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate restoration and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, BHP Billiton Group environmental policies for which an obligation has been created.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is classified as 'Other mineral assets' and amortised over the estimated economic life of the operation on a units of production basis. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance charges.

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the income statement. Changes to the capitalised cost result in an adjustment to future amortisation charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; developments in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in interest rates affecting the discount rate applied.

Financial instruments

All financial assets are initially recognised at the fair value of consideration paid. Subsequently, financial assets are carried at fair value or amortised cost less impairment charges in accordance with the requirements of IAS 39/AASB 139. Where non-derivative financial assets are carried at fair value, gains and losses on remeasurement are recognised directly in equity unless the financial assets have been designated as being held at fair value through profit, in which case the gains and losses are recognised directly in the income statement. Financial assets are designated as being held at fair value through profit when this is necessary to reduce measurement inconsistencies for related assets and liabilities. All financial liabilities other than derivatives are carried at amortised cost.

Derivatives, including those embedded in other contractual arrangements but separated for accounting purposes because they are not clearly and closely related to the host contract, are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss on remeasurement depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The measurement of fair value is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the BHP Billiton Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates.

The BHP Billiton Group's foreign exchange contracts held for hedging purposes are generally accounted for as cash flow hedges. Interest rate swaps held for hedging purposes are generally accounted for as fair value hedges. Derivatives embedded within other contractual arrangements and commodity based transactions executed through derivative contracts do not qualify for hedge accounting.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Any difference between the change in fair value of the derivative and the hedged risk constitutes ineffectiveness of the hedge and is recognised immediately in the income statement.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, plant and equipment purchases) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a hedged forecast transaction is no longer expected to occur, the cumulative hedge gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Available for sale and trading investments
Available for sale and trading investments are measured at fair value. Gains and losses on the remeasurement of trading investments are recognised directly in the income statement. Gains and losses on the remeasurement of available for sale investments are recognised directly in equity and subsequently recognised in the income statement when realised by sale or redemption, or when a reduction in fair value is judged to represent an impairment.

Application of critical accounting policies and estimates

The preparation of the consolidated financial statements requires management to make judgements and estimates and form 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 periods presented therein. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and costs. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The BHP Billiton Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

<u>Reserve estimates</u>

Reserves are estimates of the amount of product that can be economically and legally extracted from the BHP Billiton Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

1 Accounting policies continued

The BHP Billiton Group is required to determine and report ore reserves in Australia and the UK under the Australasian Code for Reporting of Mineral Resources and Ore Reserves September 1999, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Reserve reporting requirements for SEC (United States of America) filings are specified in Industry Guide 7 which requires economic assumptions to be based on current economic conditions, which may differ from assumptions based on reasonable investment assumptions. For example, if current prices remain above long-term historical averages for an extended period of time, internal assumptions about future prices may involve the use of lower prices to estimate reserves under the JORC Code. Lower price assumptions generally result in lower estimates of reserves. Accordingly, for SEC filings, assumed future selling prices are based on existing contract prices for commodities sold under long-term contracts, such as iron ore and coal, and the three-year historical average for commodities that are traded on the London Metals Exchange, such as copper and nickel.

Oil and gas reserves reported in Australia and the UK, and the US for SEC filing purposes, are based on prices prevailing at the time of the estimates as required under Statement of Financial Accounting Standards No. 69 'Disclosures about Oil and Gas Producing Activities', issued by the US Financial Accounting Standards Board.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the BHP Billiton Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recorded on the balance sheet or charged in the income statement may change due to changes in stripping ratios or the units of production basis of depreciation.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

Exploration and evaluation expenditure

The BHP Billiton Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project has reached a stage at which economically recoverable reserves exist such that development may be sanctioned. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the income statement.

Property, plant and equipment – recoverable amount

In accordance with BHP Billiton Group's accounting policy, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal. Value in use is also generally determined as the present value of the estimated future cash flows, but only those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see 'Reserve estimates' above), operating costs, restoration and rehabilitation costs and future capital expenditure. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against the income statement.

Defined benefit superannuation schemes

For defined benefit schemes, other than certain industry-wide schemes, the cost of benefits charged to the income statement includes current and past service costs, interest costs on defined benefit obligations and the effect of any curtailments or settlements, net of expected returns on plan assets. An asset or liability is consequently recognised in the balance sheet based on the present value of defined obligations, less any unrecognised past service costs and the fair value of plan assets. For all other schemes, the cost of providing benefits is recognised based on contributions payable.

The accounting policy requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in equity. Refer to note 22 for details of the key assumptions.

Provision for restoration and rehabilitation

The BHP Billiton Group's accounting policy requires the recognition of provisions for the restoration and rehabilitation of each site. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to a change in future depreciation and interest charges. For closed sites, changes to estimated costs are recognised immediately in the income statement.

In addition to the uncertainties noted above, certain restoration and rehabilitation activities are subject to legal disputes and depending on the ultimate resolution of these issues the final liability for these matters could vary. Management believes that it is reasonably possible that, due to the nature of the liabilities for closed sites and the degree of uncertainty that surrounds them, our liabilities in relation to closed sites could be in the order of 30 per cent greater or in the order of 20 per cent lower than that provided at year end.

Taxation

The BHP Billiton Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Assumptions are also required about the application of income tax legislation. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Rounding of amounts

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

1 Accounting policies continued

Exchange rates

The following exchange rates against the US dollar have been applied in the financial report:

	Average year ended 30 June 2006	Average year ended 30 June 2005	As at 30 June 2006	As at 30 June 2005
Australian dollar (a)	0.75	0.75	0.74	0.76
Brazilian real	2.24	2.73	2.18	2.36
Canadian dollar	1.16	1.25	1.11	1.23
Chilean peso	532	595	546	579
Colombian peso	2,324	2,454	2,635	2,329
South African rand	6.41	6.21	7.12	6.67
Euro	0.82	0.79	0.78	0.83
UK pound sterling	0.56	0.54	0.55	0.55

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

2 Business and geographical segments

Business segments

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, uranium 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 (exploration for and mining of diamonds and titanium minerals, and fertiliser operations)
- Energy Coal (exploration for and mining, processing and marketing of energy coal)
- Stainless Steel Materials (exploration for and mining, processing and marketing of nickel and, prior to divestment in June 2005, chrome)

Group and unallocated items represent Group centre functions and certain comparative data for divested assets and investments and exploration and technology activities.
It is the Group's policy that inter-segment sales are made on a commercial basis.

US$ million	Petroleum	Aluminium	Base Metals	Carbon Steel Materials	Diamonds and Specialty Products	Energy Coal	Stainless Steel Materials	Group and unallocated items/ eliminations	BHP Billiton Group
Year ended 30 June 2006									
Revenue together with share of jointly controlled entities' revenue from external customers									
Sale of group production	4,797	3,704	9,034	9,626	1,263	2,713	2,916	5	34,058
Sale of third party product	967	1,374	1,259	88	–	606	37	629	4,960
Rendering of services	3	6	1	38	–	–	–	33	81
Inter-segment revenue	109	–	–	8	–	–	2	(119)	–
	5,876	5,084	10,294	9,760	1,263	3,319	2,955	548	39,099
Less: share of jointly controlled entities' external revenue included above	(5)	(107)	(5,393)	(626)	(377)	(438)	–	–	(6,946)
Segment revenue	5,871	4,977	4,901	9,134	886	2,881	2,955	548	32,153
Segment result	2,963	917	1,998	4,159	209	131	901	(301)	10,977
Other attributable income (1)	5	37	–	9	–	–	–	(51)	–
Share of profits from jointly controlled entities	–	193	3,015	262	91	139	–	(6)	3,694
Profit from operations	2,968	1,147	5,013	4,430	300	270	901	(358)	14,671
Net finance costs									(505)
Income tax expense									(3,207)
Royalty related taxation									(425)
Profit after taxation									10,534
EBITDA before non-cash items	3,798	1,468	5,093	4,772	396	500	1,185	(242)	16,970
Other significant non-cash items	(7)	(44)	267	15	(3)	17	(41)	(76)	128
EBITDA (2)	3,791	1,424	5,360	4,787	393	517	1,144	(318)	17,098
Depreciation and amortisation	(720)	(227)	(339)	(356)	(93)	(247)	(243)	(39)	(2,264)
Impairment losses recognised	(113)	(50)	(8)	(1)	–	–	–	(1)	(173)
Reversals of previous impairment losses recognised	10	–	–	–	–	–	–	–	10
Profit from operations	2,968	1,147	5,013	4,430	300	270	901	(358)	14,671
Profit from group production	2,963	1,071	5,017	4,433	300	233	901	(358)	14,560
Profit from third party product	5	76	(4)	(3)	–	37	–	–	111
Capital expenditure	1,124	366	861	1,606	202	131	1,423	41	5,754
Segment assets	7,420	6,061	9,419	6,905	1,630	3,018	5,692	4,050	44,195
Investments in jointly controlled entities	112	551	2,511	410	115	622	–	–	4,321
Total assets	7,532	6,612	11,930	7,315	1,745	3,640	5,692	4,050	48,516
Segment liabilities	2,208	1,048	2,617	2,136	178	1,759	898	13,217	24,061

2 Business and geographical segments continued

US$ million	Petroleum	Aluminium	Base Metals	Carbon Steel Materials	Diamonds and Specialty Products	Energy Coal	Stainless Steel Materials	Group and unallocated items/ eliminations	BHP Billiton Group
Year ended 30 June 2005									
Revenue together with share of jointly controlled entities' revenue from external customers									
Sale of group production	3,953	3,103	4,372	7,298	986	2,718	2,265	3	24,698
Sale of third party product	1,955	1,543	670	238	523	669	9	784	6,391
Rendering of services	–	–	1	34	–	–	–	26	61
Inter-segment revenue	62	5	–	27	–	–	–	(94)	–
	5,970	4,651	5,043	7,597	1,509	3,387	2,274	719	31,150
Less: share of jointly controlled entities' revenue included above	(3)	(80)	(2,714)	(429)	(778)	(416)	(8)	–	(4,428)
Segment revenue	5,967	4,571	2,329	7,168	731	2,971	2,266	719	26,722
Segment result	2,523	758	481	2,330	429	319	828	(184)	7,484
Other attributable income (1)	6	26	–	2	19	1	25	(79)	–
Share of profits from jointly controlled entities	–	139	1,285	148	77	137	1	–	1,787
Profit from operations	2,529	923	1,766	2,480	525	457	854	(263)	9,271
Net finance costs									(331)
Income tax expense									(1,876)
Royalty related taxation									(436)
Profit after taxation									6,628
EBITDA before non-cash items	3,151	1,122	1,952	3,098	710	740	1,014	(65)	11,722
Other significant non-cash items	–	15	(33)	(318)	(14)	(95)	(19)	(169)	(633)
EBITDA (2)	3,151	1,137	1,919	2,780	696	645	995	(234)	11,089
Depreciation and amortisation	(616)	(214)	(153)	(300)	(171)	(179)	(141)	(27)	(1,801)
Impairment losses recognised	(6)	–	–	–	–	(9)	–	(2)	(17)
Reversals of previous impairment losses recognised	–	–	–	–	–	–	–	–	–
Profit from operations	2,529	923	1,766	2,480	525	457	854	(263)	9,271
Profit from group production	2,515	902	1,777	2,466	503	403	854	(263)	9,157
Profit from third party product	14	21	(11)	14	22	54	–	–	114
Capital expenditure	898	268	345	1,063	239	164	475	31	3,483
Segment assets	6,448	5,398	7,880	4,885	1,429	2,359	4,377	5,813	38,589
Investments in jointly controlled entities	112	509	1,633	336	115	549	–	–	3,254
Total assets	6,560	5,907	9,513	5,221	1,544	2,908	4,377	5,813	41,843
Segment liabilities	1,955	745	2,240	1,903	162	1,558	612	14,752	23,927

(1) Other attributable income represents the re-allocation of certain items recorded in the segment result of Group and unallocated items/eliminations to the applicable CSG / business segment.
(2) EBITDA is profit from operations, less depreciation, amortisation and impairments.

Geographical information

US$ million	2006			2005			2006	2005
	Segment revenue by location of customer	Segment assets by location of assets	Segment capital expenditure	Segment revenue by location of customer	Segment assets by location of assets	Segment capital expenditure	Profit from operations before taxation by location of assets	Profit from operations before taxation by location of assets
Australia	3,507	22,960	3,813	2,626	19,105	1,914	7,369	4,348
North America	2,344	5,553	823	2,122	4,484	846	233	439
Europe	10,027	4,455	49	9,352	2,696	51	816	1,189
South America	729	3,640	843	55	4,547	428	4,892	2,426
Southern Africa	1,426	3,964	179	1,308	4,438	218	1,031	693
Japan	3,959	–	–	3,118	–	–	–	–
South Korea	1,689	–	–	1,662	–	–	–	–
China	5,294	–	–	3,413	–	–	–	–
Other Asia	2,496	–	–	1,851	–	–	–	–
Rest of World	682	734	47	1,215	863	26	330	176
Unallocated assets / net finance costs	–	2,889	–	–	2,456	–	(505)	(331)
BHP Billiton Group	32,153	44,195	5,754	26,722	38,589	3,483	14,166	8,940

Notes to Financial Statements

3 Other income

	2006 US$M	2005 US$M
Dividend income	34	37
Royalties	5	3
Rental income	5	36
Gains on sale of property, plant and equipment	57	69
Gains on sale of investments	19	43
Gains on sale of operations[(a)]	530	335
Other income	577	234
Total other income	1,227	757

(a) Gains on sale of operations includes the sale of the Tintaya copper mine. Refer to note 5.

4 Expenses

	2006 US$M	2005 US$M
Changes in inventories of finished goods and work in progress	(309)	(248)
Raw materials and consumables used	5,353	4,031
Employee benefits expense	2,849	2,419
External services (including transportation)	5,274	4,160
Third party commodity purchases	4,831	5,675
Net foreign exchange (gains) / losses	(19)	60
Research and development costs before crediting related grants	76	33
Fair value change on derivatives	(88)	–
Fair value change on other financial assets	(2)	–
Government royalties paid and payable	776	565
Depreciation and amortisation expense	2,264	1,801
Exploration and evaluation expenditure incurred and expensed in the current period	561	351
Impairment of previously capitalised exploration and evaluation expenditure [(a)]	79	2
Reversal of previously impaired capitalised exploration and evaluation expenditure	(8)	–
Impairment of investments in jointly controlled entities [(a)]	50	–
Impairment of property, plant and equipment [(a)]	39	15
Reversal of previously impaired property, plant and equipment	(2)	–
Impairment of other intangible assets	5	–
Operating lease rentals payable	240	224
All other operating expenses	434	907
Total expenses	22,403	19,995
Remuneration of auditors		
Audit fees payable by the BHP Billiton Group to:		
Auditors of the BHP Billiton Group		
KPMG	11.023	10.087
PricewaterhouseCoopers [(b)]	–	0.577
Total audit fees	11.023	10.664
Fees payable by the BHP Billiton Group to auditors for other services:		
Auditors of the BHP Billiton Group		
Audit related services [(c)]		
KPMG [(d)]	2.006	1.141
Taxation services [(e)]		
KPMG [(d)]	1.470	1.500
Other services [(f)]		
KPMG [(d)]	0.209	0.110
PricewaterhouseCoopers [(b)]	–	1.457
Total other services	3.685	4.208
Total fees	14.708	14.872

(a) Impairment charges for the year include:
A charge of US$31 million in respect of the Group's interests in the Typhoon, Boris and Little Burn oil fields due to the decision not to pursue redevelopment options following damage sustained from Hurricane Katrina in the Gulf of Mexico in the current year.
A charge of US$32 million in respect of the Cascade and Chinook prospects in the Gulf of Mexico. Following a decision to divest the operations during the year, the negotiations of sale resulted in contingent consideration whereby part of the proceeds are dependent on future commercialisation of the prospects. Given the uncertainty of possible commercialisation, and therefore any payment to be received, an impairment has been recognised. Refer to notes 14 and 16.
A charge of US$50 million in respect of the Group's investment in Valesul Aluminio SA reflecting its expected fair value upon anticipated disposal. Refer to notes 14, 15 and 35.

(b) Audit fees and other services fees for PricewaterhouseCoopers arose in connection with their role as auditors of WMC Resources Ltd (WMC), where they were auditors of WMC up to 30 June 2005.

(c) Mainly includes accounting advice and services associated with securities offerings. For the year ended 30 June 2006, audit fees of US$0.185 million (2005: US$0.328 million) relating to pension plans, which are not directly payable by the BHP Billiton Group, have been excluded from the above analysis.

(d) The amounts paid to the UK firms and their associates for the year ended 30 June 2006 in relation to other services amounted to US$0.581 million (2005: US$0.600 million).

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

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

5 Exceptional items

Exceptional items are those items where their nature and amount is considered material and require separate disclosure. Such items included within the BHP Billiton Group profit for the year are detailed below.

Year ended 30 June 2006	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Sale of Tintaya copper mine	439	(143)	296
Exceptional items by Customer Sector Group			
Base Metals	439	(143)	296

Sale of Tintaya copper mine
Effective 1 June 2006, BHP Billiton sold its interests in the Tintaya copper mine in Peru. Gross consideration received was US$853 million, before deducting intercompany trade balances. The net consideration of US$717 million (net of transaction costs) included US$634 million for shares plus the assumption of US$116 million of debt, working capital adjustments and deferred payments contingent upon future copper prices and production volumes.

Year ended 30 June 2005	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Sale of Laminaria and Corallina	134	(10)	124
Disposal of Chrome operations	142	(6)	136
Termination of operations	(266)	80	(186)
Closure plans	(121)	17	(104)
Total by category	(111)	81	(30)
Exceptional items by Customer Sector Group			
Petroleum	134	(10)	124
Base Metals	(29)	(4)	(33)
Carbon Steel Materials	(285)	80	(205)
Energy Coal	(73)	21	(52)
Stainless Steel Materials	142	(6)	136
Total by Customer Sector Group	(111)	81	(30)

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

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

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

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

6 Net finance costs

	2006 US$M	2005 US$M
Financial expenses		
Interest on bank loans and overdrafts	134	34
Interest on all other loans	382	254
Finance lease and hire purchase interest	6	6
Dividends on redeemable preference shares	17	25
Discounting on provisions and other liabilities	266	173
Discounting on pension and medical benefit entitlements	108	114
Interest capitalised [(a)]	(144)	(78)
Net fair value change on hedged loans and related hedging derivatives	(30)	–
Exchange differences on net debt	(8)	19
	731	547
Financial income		
Interest income	(123)	(118)
Return on pension plan assets	(103)	(98)
	(226)	(216)
Net finance costs	505	331

(a) Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction or, where financed through general borrowings, at a capitalisation rate representing the average interest rate on such borrowings. For the year ended 30 June 2006 the capitalisation rate was 5.0 per cent (2005: 4.6 per cent).

7 Employees

	2006 Number	2005 Number
The average number of employees, which excludes jointly controlled entities' employees and includes executive Directors, during the financial year was as follows:		
Petroleum	2,180	1,998
Aluminium	4,259	4,453
Base Metals	4,360	2,499
Carbon Steel Materials	7,769	7,215
Diamonds and Specialty Products	1,189	1,254
Energy Coal	7,819	9,333
Stainless Steel Materials	2,927	5,534
Group and unallocated	2,681	1,915
	33,184	34,201

	2006 US$M	2005 US$M
The aggregate payroll expenses of those employees was as follows:		
Wages, salaries and redundancies	2,567	2,203
Employee share awards	70	66
Social security costs	24	21
Pensions and post-retirement medical benefit costs – refer to note 22	188	129
	2,849	2,419

8 Income tax and deferred tax

	2006 US$M	2005 US$M
Income tax expense comprises:		
Current tax expense	4,312	2,388
Deferred tax expense	(680)	(76)
	3,632	2,312
UK taxation at the corporation rate of 30%		
Current tax expense	393	194
Deferred tax expense	(99)	12
	294	206
Australian taxation at the corporation rate of 30%		
Current tax expense	2,475	1,369
Deferred tax expense	72	244
	2,547	1,613
Overseas taxation		
Current tax expense	1,444	825
Deferred tax expense	(653)	(332)
	791	493

	2006		2005	
	%	US$M	%	US$M
Factors affecting tax charge for the period				
The tax expense is different than the standard rate of corporation tax (30%).				
The differences are explained below:				
Profit before tax		14,166		8,940
Tax on profit at standard rate of 30%	30.0	4,250	30.0	2,682
Investment and development allowance	(1.5)	(219)	(1.7)	(150)
Amounts (over)/under provided in prior years	(0.3)	(48)	0.8	75
Recognition of prior year tax losses	(3.0)	(429)	(4.4)	(393)
Non deductible depreciation, amortisation and exploration expenditure	0.4	53	0.5	42
Tax rate differential on foreign income	1.8	252	0.9	78
Foreign tax on remitted and unremitted earnings from investments	0.5	72	0.5	44
Non tax-effected operating losses and capital gains	–	5	(0.4)	(37)
Foreign exchange gains and other translation adjustments	(0.6)	(78)	(1.0)	(87)
Tax rate changes	–	4	(0.1)	(9)
Adjustments to income tax expense relating to jointly controlled entities	(4.8)	(668)	(4.1)	(365)
Other	0.1	13	–	(4)
Income tax expense	22.6	3,207	21.0	1,876
Royalty related taxation (net of income tax benefits)	3.0	425	4.9	436
Total taxation expense	25.6	3,632	25.9	2,312

The movement for the year in the Group's net deferred tax position was as follows:

	2006 US$M	2005 US$M
Net deferred tax (liability)/asset		
Opening balance	(445)	(555)
Income tax credit recorded in the income statement	680	76
Effect of change in tax rates	–	(3)
Income tax credit/(charge) recorded directly in equity [(a)]	(24)	55
Acquisitions and disposals of subsidiaries	20	(9)
Exchange differences and other movements	6	(9)
Closing balance	237	(445)

(a) The amounts charged directly to the SORIE including deferred tax relating to actuarial gains/(losses) on pension and medical plans, effective cash flow hedges and available for sale investments, and other amounts charged directly to equity including deferred tax relating to employee share awards.

8 Income tax and deferred tax continued

The following details the composition of the Group's net deferred tax asset and liability recognised in the balance sheet and the deferred tax expense charged/(credited) to the income statement:

	Deferred tax assets		Deferred tax liabilities		Charged/(credited) to the income statement	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Type of temporary difference						
Depreciation	(384)	218	1,394	1,900	103	86
Exploration expenditure	204	70	(71)	(51)	(154)	(33)
Employee benefits	130	139	(250)	(248)	3	(33)
Restoration and rehabilitation	186	25	(555)	(471)	(250)	(87)
Resource rent tax	–	–	213	127	20	8
Other provisions	30	37	17	(8)	6	(46)
Deferred income	56	21	(157)	(79)	(115)	11
Deferred charges	(133)	(131)	271	222	49	39
Investments including foreign tax credits	734	505	218	174	(184)	(157)
Foreign exchange losses	5	(1)	206	312	(111)	245
Non tax-depreciable fair value adjustments, revaluations and mineral rights	(26)	163	440	585	44	(26)
Other	51	110	(78)	102	(20)	207
Tax-effected losses	976	750	(56)	(214)	(71)	(290)
Total BHP Billiton Group	1,829	1,906	1,592	2,351	(680)	(76)

	2006 US$M	2005 US$M
Unrecognised deferred tax assets:		
Tax losses and tax credits	499	609
Investments in subsidiaries and jointly controlled entities	387	390
Other deductible temporary differences	1,404	1,147
Total unrecognised deferred tax assets / valuation allowance	2,290	2,146
Unrecognised deferred tax liabilities:		
Investments in subsidiaries and jointly controlled entities	1,446	1,156
Total unrecognised deferred tax liabilities	1,446	1,156

8 Income tax and deferred tax continued

Tax losses

At 30 June 2006, the BHP Billiton Group has income and capital tax losses with a tax benefit of approximately US$499 million (2005: US$609 million) which are not recognised as deferred tax assets. The BHP Billiton Group anticipates benefits from the recognition of losses in future periods to the extent of income or gains in relevant jurisdictions. The gross amount of tax losses carried forward that have not been tax effected expire as summarised below:

Year of expiry	Australian losses US$M	UK losses US$M	Foreign losses US$M	Total losses US$M
Income tax losses				
2007			8	8
2008			31	31
2009			14	14
2010			35	35
2011			11	11
2014			9	9
2015			53	53
2018			1	1
2020			1	1
2021			3	3
2024			1	1
2025			4	4
2026			55	55
Unlimited	–	254	180	434
	–	254	406	660
Capital tax losses				
Unlimited	922	3	21	946
	922	257	427	1,606
Tax effect of total losses	277	77	145	499

The gross amount of tax losses and tax credits that have been included in deferred tax assets and liabilities are summarised as follows:

Year of expiry	Australian US$M	UK US$M	Foreign US$M	Total US$M
Income tax losses and credits				
2007			14	14
2008			5	5
2009			24	24
2010			60	60
2014			13	13
2017			16	16
2018			36	36
2019			178	178
2020			390	390
2021			247	247
2022			63	63
2023			56	56
2024			261	261
2025			833	833
2026			1	1
Unlimited	78	–	490	568
	78	–	2,687	2,765

Tax credits

At 30 June 2006, the BHP Billiton Group had US$nil tax credits that have not been recognised (2005: US$nil).

8 Income tax and deferred tax continued

Deductible temporary differences
At 30 June 2006, the BHP Billiton Group had deductible temporary differences for which deferred tax assets of US$1,791 million (2005: US$1,537 million) have not been recognised because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The deductible temporary differences do not expire under current tax legislation.

The BHP Billiton Group anticipates it will continue to incur foreign expenditure including exploration, or incur losses, in jurisdictions in which, under current accounting policies, the tax-effect of such expenditure or losses may not be recognised. The BHP Billiton Group will continue to incur non-deductible accounting depreciation and amortisation.

The BHP Billiton Group recognises net deferred tax assets relating to tax losses and temporary differences to the extent that it can reasonably foresee future profits against which to realise those assets. Following continued progress in the BHP Billiton Group's Gulf of Mexico (US) projects, additional benefits of tax losses and temporary differences have been recognised in the current year resulting in a reduction in the effective tax rate of approximately 3 per cent (2005: 4 per cent) when compared to the statutory tax rate. If and when the projects reach appropriate milestones that provide greater certainty over projected future profits, further benefits in respect of past losses and temporary differences may be recognised.

Temporary differences associated with investments in subsidiaries and jointly controlled entities
At 30 June 2006, deferred tax liabilities of US$1,446 million (2005: US$1,156 million) associated with undistributed earnings of subsidiaries and jointly controlled entities have not been recognised because the Group is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Other factors affecting taxation
The Australian Taxation Office ("ATO") has issued assessments against subsidiary companies, primarily BHP Billiton Finance Ltd, in respect of the 1999-2002 financial years. The assessments relate to the deductibility of bad debts in respect of funding subsidiaries which undertook the Beenup, Boodarie Iron and Hartley projects. The assessments are for primary tax of US$511 million and interest (net of tax) and penalties of US$375 million. Appeals have been lodged to the Federal Court against the assessments.

As at 30 June 2006, the total amount in dispute relating to bad debts on loans is approximately US$886 million, including accrued interest and penalties (after tax). A total amount of US$472 million in respect of the disputed amounts has been paid pursuant to ATO disputed assessments guidelines. The amounts paid have been recognised as a reduction of the Group's net tax liabilities. Upon any successful challenge of the assessments, any sums paid will be refundable with interest.

9 Earnings per share

	2006	2005
Basic earnings per share (US cents)	173.2	104.4
Diluted earnings per share (US cents)	172.4	104.0
Basic earnings per American Depositary Share (ADS) (US cents) (a)	346.4	208.8
Diluted earnings per American Depositary Share (ADS) (US cents) (a)	344.8	208.0
Basic earnings (US$ million)	10,450	6,396
Diluted earnings (US$ million) (b)	10,456	6,399

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:

Weighted average number of shares	2006 Million	2005 Million
Basic earnings per share denominator	6,035	6,124
Shares and options contingently issuable under employee share ownership plans	31	32
Diluted earnings per share denominator	6,066	6,156

(a) Each ADS represents two ordinary shares.
(b) Diluted earnings are calculated after adding back dividend equivalent payments of US$6 million (2005: US$3 million) that would not be made if potential ordinary shares were converted to fully paid.

10 Dividends

	2006 US$M	2005 US$M
Dividends paid during the period		
BHP Billiton Limited	1,148	842
BHP Billiton Plc - Ordinary shares	790	567
- Preference shares [(a)]	–	–
	1,938	1,409
Dividends declared in respect of the period		
BHP Billiton Limited	1,275	1,004
BHP Billiton Plc - Ordinary shares	885	691
- Preference shares [(a)]	–	–
	2,160	1,695

	2006 US cents	2005 US cents
Dividends paid during the period (per share)		
Prior year final dividend	14.5	9.5
Interim dividend	17.5	13.5
	32.0	23.0
Dividends declared in respect of the period (per share)		
Interim dividend	17.5	13.5
Final dividend	18.5	14.5
	36.0	28.0

(a) 5.5 per cent dividend on 50,000 preference shares of £1 each (2005: 5.5 per cent).

Dividends are declared after period end in the announcement of the results for the period. Interim dividends are declared in February and paid in March. Final dividends are declared in August and paid in September. Dividends declared are not recorded as a liability at the end of the period to which they relate. Subsequent to year end, on 23 August 2006, BHP Billiton declared a final dividend of 18.5 US cents per share (US$1,100 million), which will be paid on 27 September 2006 (2005: 14.5 US cents per share – US$878 million).

Each American Depository Share (ADS) represents two ordinary shares of BHP Billiton Limited or BHP Billiton Plc. Dividends declared on each ADS represent twice the dividend declared on BHP Billiton shares.

BHP Billiton Limited dividends for all periods presented are, or will be, fully franked based on a tax rate of 30%.

	2006 US$M	2005 US$M
Franking credits as at 30 June	20	115
Franking credits arising from the payment of the amount of the current tax payable	811	213
Total franking credits available [(i)]	831	328

(i) The payment of the final 2006 dividend declared post reporting date will reduce the franking account balance by US$285 million.

11 Trade and other receivables

	2006 US$M	2005 US$M
Current		
Trade receivables	2,787	2,215
Provision for doubtful debts	(4)	(4)
Total trade receivables	2,783	2,211
Sundry receivables		
Employee Share Plan Loans [(a)]	2	2
Other	1,049	965
Provision for doubtful debts	(3)	(3)
Total sundry receivables	1,048	964
Total current receivables	3,831	3,175
Non-current		
Employee Share Plan loans [(a)]	45	58
Other sundry receivables [(b)]	768	728
Total non-current receivables	813	786

(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 full recourse and 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 to note 27.

(b) Other sundry receivables include loans to jointly controlled entities of US$nil (2005: US$84 million) that are in the form of cash on deposit, with the bank having an equivalent amount on loan to the jointly controlled entity.

12 Other financial assets

	2006 US$M	2005 US$M
Current		
At fair value (2005: at cost)		
Interest rate swaps [a]	34	16
Forward exchange contracts	27	40
Commodity contracts [a]	725	–
Other derivative contracts	16	–
	802	56
At amortised cost (2005: at cost)		
Insurance investments [b]	1	13
Other	5	–
Total current other financial assets	808	69
Non-current		
At fair value (2005: at cost)		
Interest rate swaps [a]	390	–
Forward exchange contracts	3	–
Commodity contracts [a]	73	–
Other derivative contracts	19	–
Shares – designated at fair value through profit and loss [a]	81	52
Shares – available for sale [a]	200	38
Other investments – available for sale [c]	184	167
Total non-current other financial assets	950	257

(a) For derivative assets and liabilities at 30 June 2005 the corresponding fair values were: interest rate swaps US$140 million, commodity contracts US$6 million, shares designated as available for sale US$85 million, and shares designated at fair value through profit and loss US$70 million.

(b) Includes US$1 million (2005: US$13 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.

(c) Investments held by the Ingwe, Selbaie and Rio Algom Environmental Trust Funds and the Samancor Rehabilitation Trust. The future realisation of these investments is intended to fund environmental obligations relating to the closure of Ingwe's, Selbaie's, Rio Algom's and Samancor'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 to note 21.

13 Inventories

		2006 US$M	2005 US$M
Current			
Raw materials and consumables	- at net realisable value [a]	14	30
	- at cost	678	506
		692	536
Work in progress	- at net realisable value [a]	23	5
	- at cost	734	726
		757	731
Finished goods	- at net realisable value [a]	28	16
	- at cost	1,255	1,139
		1,283	1,155
Total current inventories		2,732	2,422
Non-current			
Raw materials and consumables	- at cost	22	33
Work in progress	- at cost	71	68
Total non-current inventories		93	101

(a) US$6 million of inventory write-downs were recognised during the year (2005: US$20 million). Inventory write-downs of US$19 million made in previous periods were reversed during the year (2005: US$3 million).

14 Assets held for sale

The following disclosures detail the significant assets and businesses that are classified as held for sale in the balance sheet as at 30 June 2006 in accordance with IFRS 5/AASB 5 'Non-current Assets Held for Sale and Discontinued Operations':

Valesul Aluminio SA

BHP Billiton's 45.5 per cent joint venture interest in Valesul Aluminio SA, an aluminium smelter located in Brazil, forming part of the Aluminium CSG, is presented as held for sale following the completion of a divestment review by the Group. An impairment charge of US$50 million has been recognised in the income statement for the year ended 30 June 2006 in order to write down the value of the Group's equity accounted investment in Valesul to the expected realisable value, less costs to sell. The sale has been completed subsequent to 30 June 2006, refer to note 35.

14 Assets held for sale continued

Southern Cross Fertilisers Pty Ltd
BHP Billiton announced on 9 May 2006 that it had entered into an agreement for the sale of Southern Cross Fertilisers Pty Ltd, a fertiliser mining and processing business, forming part of the Diamonds and Specialty Products CSG. The agreement has conditions precedent that remain unfulfilled at 30 June 2006, and therefore the assets and liabilities are classified as held for sale at this date. These conditions have been fulfilled subsequent to year end, and the sale completed, refer to note 35.

Bruce and Keith oil fields
At 30 June 2006, the Bruce and Keith oil fields (with associated acreage) which form part of the Petroleum CSG are being marketed as part of the BHP Billiton Group's normal portfolio management process. As such, the assets and liabilities have been presented as held for sale at 30 June 2006.

Cascade and Chinook oil and gas prospects
BHP Billiton has entered into an agreement for the sale of its Cascade and Chinook oil and gas prospects, which form part of the Petroleum CSG. The agreement has conditions precedent that remain unfulfilled as at 30 June 2006, and therefore the assets are classified as held for sale as at this date. These conditions have been fulfilled subsequent to year end, and the sale completed, refer to note 35. At 30 June 2006, an impairment charge of US$32 million has been recognised in the income statement in order to write the value of the prospects down to the expected realisable value, less costs to sell.

Coal bed methane assets
On 21 June 2006, BHP Billiton announced that it had entered an agreement to sell its Australian coal bed methane interests which form part of the Petroleum CSG. The sale has conditions precedent that remain unfulfilled at 30 June 2006, and therefore the assets and liabilities are classified as held for sale as at this date. These conditions have been met subsequent to year end, and the sale completed, refer to note 35.

The net assets of these operations detailed above are shown in aggregate in the table below.

	2006 US$M	2005 US$M
Trade and other receivables	6	–
Inventories	22	–
Investments in jointly controlled entities	22	–
Property, plant and equipment	396	–
Deferred tax assets	20	–
Other	3	–
Total assets	469	–
Trade and other payables	39	–
Provisions	64	–
Deferred tax liabilities	89	–
Total liabilities	192	–
Net assets	277	–

15 **Investments in jointly controlled entities**

All entities included below are entities subject to joint control as a result of governing contractual arrangements.

Major shareholdings in jointly controlled entities	Country of incorporation	Principal activities	Reporting date [a]	Ownership interest [a] 2006 %	Ownership interest [a] 2005 %	Carrying value of investment 2006 US$M	Carrying value of investment 2005 US$M
Caesar Oil Pipeline Company LLC	US	Hydrocarbons transportation	31 May	25	25	68	68
Carbones del Cerrejon LLC	Anguilla	Coal mining in Colombia	31 Dec	33.3	33.3	615	529
Cleopatra Gas Gathering Company LLC	US	Hydrocarbons transportation	31 May	22	22	44	44
Minera Antamina SA	Peru	Copper and zinc mining	30 June	33.75	33.75	681	390
Richards Bay Minerals [b]	South Africa	Mineral sands mining and processing	31 Dec	50	50	110	100
Samarco Mineracao SA	Brazil	Iron ore mining	31 Dec	50	50	386	304
Advalloy (Pty) Ltd	South Africa	Manganese alloy producer	30 June	50	50	23	26
Valesul Aluminio SA [c]	Brazil	Aluminium smelting	31 Dec	45.5	45.5	–	50
Minera Escondida Limitada [d]	Chile	Copper mining	30 June	57.5	57.5	1,820	1,243
Mozal SARL	Mozambique	Aluminium smelting	30 June	47.1	47.1	528	459
Other	Various	Various				24	41
Total						4,299	3,254

15 Investments in jointly controlled entities continued

	2006 US$M	2005 US$M
Movements in carrying amount		
Carrying amount at the beginning of the financial year	3,254	2,593
Group share of profits	3,694	1,787
Additions	37	39
Dividends received/receivable	(2,644)	(965)
Disposals	(25)	(187)
Assets held for sale (c)	(22)	–
Impairment (c)	(50)	–
Transfers and other movements	55	(13)
Carrying amount at the end of the financial year	4,299	3,254

	In aggregate		BHP Billiton Group share	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Net assets of jointly controlled entities can be analysed as follows:				
Current assets	5,218	3,559	2,445	1,612
Non-current assets	11,341	10,763	5,192	4,876
Current liabilities	(2,997)	(2,119)	(1,482)	(1,004)
Non-current liabilities	(3,843)	(4,755)	(1,856)	(2,230)
BHP Billiton Group share of net assets	9,719	7,448	4,299	3,254

	In aggregate		BHP Billiton Group share	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Share of jointly controlled entities' profit				
Revenue	14,205	9,303	6,946	4,428
Net operating costs	(4,689)	(4,484)	(2,207)	(2,102)
Operating profit	9,516	4,819	4,739	2,326
Income tax expense	(1,986)	(950)	(950)	(433)
Net finance costs	(200)	(234)	(95)	(106)
Profit after taxation	7,330	3,635	3,694	1,787

	2006 US$M	2005 US$M
Share of contingent liabilities and expenditure commitments of jointly controlled entities		
Contingent liabilities	355	136
Share of capital commitments of jointly controlled entities	409	365
Other commitments	444	126

(a) The ownership interest at the jointly controlled entity's reporting date and BHP Billiton's reporting date are the same. Whilst the annual financial reporting date may be different to BHP Billiton's, financial information is obtained as at 30 June in order to report on a consistent annual basis with BHP Billiton's reporting date.

(b) Richards Bay Minerals comprises two legal entities, Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited of which the BHP Billiton Group's ownership interest is 51 per cent (2005: 51 per cent) and 49.4 per cent (2005: 49.4 per cent) respectively. In accordance with the shareholder agreement between the BHP Billiton Group and Rio Tinto (which owns the shares of Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited not owned by the BHP Billiton Group), Richards Bay Minerals functions as a single economic entity. The overall profit of Richards Bay Minerals is shared equally between the venturers.

(c) Valesul Aluminio SA is presented as held for sale following the completion of a divestment review by the Group. Refer to note 14.

(d) While BHP Billiton legally holds a 57.5 per cent interest in Minera Escondida Limitada, the entity is subject to effective joint control due to participant and management agreements which results in the operation of an Owner's Council, whereby significant commercial and operational decisions are determined on aggregate voting interests of at least 75% of the total ownership interest. Therefore the BHP Billiton Group does not have the ability to unilaterally control, and therefore consolidate, the investment in accordance with IAS 27 / AASB 127 'Consolidated and Separate Financial Statements'.

16 Property, plant and equipment

Year ended 30 June 2006	Land and buildings US$M	Plant and equipment US$M	Other mineral assets US$M	Assets under construction US$M	Exploration and evaluation US$M	Total US$M
Cost						
At the beginning of the financial year	2,559	26,176	12,124	3,344	637	44,840
Additions	74	990	450	4,718	204	6,436
Acquisitions of subsidiaries and operations	5	–	47	–	–	52
Disposals	(31)	(202)	(128)	(3)	(7)	(371)
Disposals of subsidiaries and operations	(148)	(470)	(257)	(10)	–	(885)
Transfer to current asset held for sale	(46)	(794)	(208)	(30)	(45)	(1,123)
Exchange variations	(1)	26	7	–	1	33
Transfers and other movements	237	2,001	(670)	(1,352)	(50)	166
At the end of the financial year	2,649	27,727	11,365	6,667	740	49,148
Accumulated depreciation						
At the beginning of the financial year	1,052	12,741	3,178	–	105	17,076
Charge for the year	137	1,705	381	–	13	2,236
Impairments for the year	–	37	–	(8)	79	108
Disposals	(21)	(159)	(127)	(3)	(7)	(317)
Disposals of subsidiaries and operations	(91)	(284)	(150)	–	–	(525)
Transfer to current asset held for sale	(3)	(567)	(157)	–	–	(727)
Exchange variations	–	28	6	–	–	34
Transfers and other movements	12	271	–	(1)	(4)	278
At the end of the financial year	1,086	13,772	3,131	(12)	186	18,163
Net book value at 30 June 2006	1,563	13,955	8,234	6,679	554	30,985

Year ended 30 June 2005	Land and buildings US$M	Plant and equipment US$M	Other mineral assets US$M	Assets under construction US$M	Exploration and evaluation US$M	Total US$M
Cost						
At the beginning of the financial year	2,247	22,075	6,543	2,730	504	34,099
Additions	63	720	360	2,919	182	4,244
Acquisitions of subsidiaries and operations	212	2,016	4,973	154	63	7,418
Disposals	(39)	(218)	(6)	(6)	(21)	(290)
Disposals of subsidiaries and operations	(60)	(727)	(39)	(35)	(23)	(884)
Exchange variations	1	(6)	4	17	–	16
Transfers and other movements	135	2,316	289	(2,435)	(68)	237
At the end of the financial year	2,559	26,176	12,124	3,344	637	44,840
Accumulated depreciation						
At the beginning of the financial year	929	11,933	2,835	–	126	15,823
Charge for the year	121	1,267	370	–	16	1,774
Impairments for the year	1	5	4	–	7	17
Disposals	(18)	(201)	(6)	–	(15)	(240)
Disposals of subsidiaries and operations	(24)	(459)	(26)	–	(20)	(529)
Exchange variations	1	(11)	–	–	–	(10)
Transfers and other movements	42	207	1	–	(9)	241
At the end of the financial year	1,052	12,741	3,178	–	105	17,076
Net book value at 30 June 2005	1,507	13,435	8,946	3,344	532	27,764

Included within the net book value of other mineral assets is US$916 million (2005: US$682 million) of capitalised production stripping costs.

17 Intangible assets

	2006			2005		
	Goodwill US$M	Software and other intangibles US$M	Total US$M	Goodwill US$M	Software and other intangibles US$M	Total US$M
Cost						
Balance at the beginning of the financial year	572	179	751	423	101	524
Additions	–	14	14	197	–	197
Disposals	–	(19)	(19)	(48)	(11)	(59)
Transfers and other movements	–	36	36	–	89	89
Balance at the end of the financial year	572	210	782	572	179	751
Amortisation and impairment losses						
Balance at the beginning of the financial year	–	84	84	–	40	40
Disposals	–	(18)	(18)	–	(11)	(11)
Charge for the year	–	28	28	–	27	27
Impairments for the year	–	5	5	–	–	–
Transfers and other movements	–	–	–	–	28	28
Balance at the end of the financial year	–	99	99	–	84	84
Total intangible assets [(a)]	572	111	683	572	95	667

(a) The Group's aggregate net book value of goodwill is US$572 million compared to a net equity in excess of US$24 billion at 30 June 2006. The goodwill is allocated across a number of cash generating units (CGUs) in different CSGs, with no one CGU or CSG accounting for more than US$150 million of the total goodwill.

18 Trade and other payables

	2006 US$M	2005 US$M
Current		
Trade creditors	2,750	2,096
Sundry creditors	1,303	1,760
Total current payables	4,053	3,856
Non-current		
Sundry creditors	169	156
Total non-current payables	169	156

19 Interest bearing liabilities

	2006 US$M	2005 US$M
Current		
Unsecured bank loans	1,112	177
Notes and debentures (a)	1	597
Finance leases	6	3
Redeemable preference shares (b)	–	450
Unsecured other	233	56
Unsecured bank overdrafts	16	15
Total current interest bearing liabilities	1,368	1,298
Non-current		
Unsecured bank loans	–	3,000
Notes and debentures (a)	6,126	3,795
Commercial paper	1,354	1,602
Redeemable preference shares (c)	15	–
Finance leases	54	53
Unsecured other	99	201
Total non-current interest bearing liabilities	7,648	8,651

(a) At 30 June 2005 the corresponding fair values were: current notes and debentures US$702 million and non-current notes and debentures US$4,420 million.
(b) BHP Operations Inc: Preferred stock
Auction market preferred stock: nil (2005: 600) shares issued at US$250,000 each were fully redeemed on 14 February 2006 for US$150 million.
Cumulative preferred stock series 'A': nil (2005: 3,000) shares issued at US$100,000 each were fully redeemed on 27 February 2006 for US$300 million.
(c) BHP Billiton Foreign Holdings Inc: Preferred stock
Series A preferred stock: 150 (2005: nil) shares issued at US$100,000 each fully paid preferred stock, cumulative, non-participating. The shares are redeemable at the option of BHP Billiton Foreign Holdings Inc after 3 August 2013 and at the option of the holder of the shares after 3 February 2016.

In October 2005 we filed a US$3.0 billion shelf registration statement with the US Securities and Exchange Commission (SEC) and in December 2005 issued an SEC registered Global Bond comprising US$600 million of 5.00 per cent Senior Notes due in 2010, and US$750 million of 5.25 per cent Senior Notes due in 2015. The proceeds were used to partially repay the financing arranged to fund the WMC acquisition and to repay commercial paper.

In May 2006, we issued €650 million (US$807 million) of 4.125 per cent Euro Bonds due in 2011. The proceeds were used to partially repay financing arranged to fund the WMC acquisition and to repay commercial paper.

20 Other financial liabilities

	2006 US$M	2005 US$M
Current		
At fair value (2005: at cost)		
Interest rate swaps	11	–
Forward exchange contracts	21	–
Commodity contracts	503	–
Other derivative contracts	9	–
Total current other financial liabilities	544	–
Non-current		
At fair value (2005: at cost)		
Interest rate swaps	165	–
Forward exchange contracts	8	–
Commodity contracts	61	–
Other derivative contracts	55	–
Total non-current other financial liabilities	289	–

21 Provisions

	2006 US$M	2005 US$M
Current		
Employee benefits (a)	626	536
Restructuring (b)	35	296
Restoration and rehabilitation (c)	228	176
Post-retirement employee benefits (d)	17	7
Other	161	82
Total current provisions	1,067	1,097
Non-current		
Employee benefits (a)	98	193
Restructuring (b)	133	–
Restoration and rehabilitation (c)	3,884	3,495
Post-retirement employee benefits (d)	574	773
Other	164	152
Total non-current provisions	4,853	4,613

	Employee benefits (a) US$M	Restructuring (b) US$M	Restoration and rehabilitation (c) US$M	Post-retirement employee benefits (d) US$M	Other US$M	Total US$M
At 1 July 2005	729	296	3,671	780	234	5,710
Amounts capitalised	–	–	405	–	–	405
Acquisition of subsidiaries and operations	–	–	–	–	–	–
Disposals of subsidiaries and operations	(25)	(1)	(54)	–	(2)	(82)
Charge/(credit) for the year:						
Underlying	347	–	58	82	226	713
Discounting	–	–	221	–	–	221
Exchange variation	(13)	(1)	4	(10)	(6)	(26)
Released during the year	–	(12)	–	–	–	(12)
Actuarial gain taken to reserve	–	–	–	(111)	–	(111)
Exchange variation taken to reserves	–	(6)	6	–	–	–
Utilisation	(297)	(108)	(190)	(173)	(121)	(889)
Transfers and other movements	(17)	–	(9)	23	(6)	(9)
At 30 June 2006	724	168	4,112	591	325	5,920
At 1 July 2004	587	11	2,733	657	315	4,303
Amounts capitalised	–	–	537	–	–	537
Acquisition of subsidiaries and operations	60	4	280	12	16	372
Disposals of subsidiaries and operations	(7)	–	(61)	–	–	(68)
Charge/(credit) for the year:						
Underlying	324	283	163	49	178	997
Discounting	–	–	166	–	–	166
Exchange variation	44	–	–	(2)	11	53
Released during the year	–	–	–	–	(5)	(5)
Actuarial gain taken to reserve	–	–	–	149	–	149
Exchange variation taken to reserves	1	–	6	–	1	8
Utilisation	(213)	(5)	(159)	(85)	(150)	(612)
Transfers and other movements	(67)	3	6	–	(132)	(190)
At 30 June 2005	729	296	3,671	780	234	5,710

(a) The provision for employee benefits includes applicable amounts for annual leave, long service leave and associated on-costs, including workers' compensation liabilities as detailed below:

Self-insurance workers' compensation provision	2006 US$M	2005 US$M
New South Wales	20	17
South Australia	4	2
Victoria	2	3
Western Australia	6	5
Tasmania	1	2
Queensland	18	17
	51	46

The expenditure associated with employee benefits will occur in a manner consistent with when employees choose to exercise their entitlement to benefits.

21 Provisions continued

(b) Total provision for restructuring costs is made up of:

	2006 US$M	2005 US$M
Redundancies	5	80
Business terminations (including contract cancellations)	163	216
	168	296

The expenditure associated with restructuring provisions is expected to be incurred over a period exceeding more than one year.

(c) At 30 June 2006, US$2,839 million (2005: US$2,509 million) was provided for reclamation and decommissioning costs relating to operating sites in the provision for site restoration and rehabilitation. In addition, the Group has certain obligations associated with maintaining and/or remediating closed sites. At 30 June 2006, US$1,273 million (2005: US$1,162 million) was provided for closed sites. 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 25 per cent (2005: 30 per cent) greater, or in the order of 20 per cent (2005: 20 per cent) lower than the US$1,273 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. Actual expenditure associated with these activities occurs both before and after closure and can continue for an extended period of time dependent on restoration and rehabilitation requirements.

These reclamation and decommissioning expenditures are mostly expected to be paid over the next thirty 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, is US$6,939 million (2005: US$6,284 million).

Southwest Copper, Arizona, US
The Southwest Copper operations comprised several mining and smelting operations and associated facilities, much of which had been operating for many years prior to the BHP Billiton Group acquiring the operation in 1996. In 1999 the facilities were effectively placed on a care and maintenance basis, pending evaluation of various alternative strategies to realise maximum value from the respective assets. The BHP Billiton Group announced the closure of the San Manuel mining facilities and the San Manuel plant facilities in 2002 and 2003 respectively.

A comprehensive review of closure plans was conducted in 2004 and continues to be assessed in light of expenditures to date. The closure provisions for Southwest Copper, including amounts in relation to Pinal Creek litigation, total US$734 million at 30 June 2006 (2005: US$731 million).

In relation to Pinal Creek, BHP Copper Inc ('BHP Copper') is involved in litigation concerning groundwater contamination resulting from historic mining operations near the Pinal Creek/Miami Wash area located in the State of Arizona. In 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. In September 2000, the Court approved a 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 2006, the BHP Billiton Group has provided US$118 million (2005: US$110 million) for its anticipated share of the planned remediation work, based on a range reasonably foreseeable up to US$138 million (2005: US$138 million), and the Group has paid out US$53 million up to 30 June 2006. These amounts are based on the provisional equal allocation of costs among the three members of the Pinal Creek Group. BHP Copper is seeking a judicial restatement of the allocation formula to reduce its share, based upon its belief, supported by relevant external legal and technical advice, that its property has contributed a smaller share of the contamination than the other parties' properties. BHP Copper is contingently liable for the whole of these costs in the event that the other parties are unable to pay.

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. As part of this action, BHP Copper is seeking contribution from its predecessors in interest with respect to BHP Copper's ultimate allocated share of costs, based upon such predecessors' 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 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.

Other closed sites
The closure provisions for other closed sites total US$539 million at 30 June 2006 (2005: US$431 million). The key sites covered by this amount are described briefly below.

Closed sites	Closure year	Group's responsibility for restoration and rehabilitation activities
Typhoon	2006	Plug the abandoned wells and salvage the platform following cessation of production at Typhoon and associated fields, including Boris and Little Burn, as a result of Hurricane Rita. In August 2006 an agreement to assign the properties together with all responsibilities for plugging and abandonment was entered into with Energy Resource Technology, Inc. The effective date of this agreement is 1 July 2006.
Newcastle Steelworks	1999	Certain sediment in the Hunter River adjacent to the former steelworks site, together with certain other site remediation activities in the Newcastle area.
Island Copper	1995	Various site reclamation activities, including the long-term treatment of the pit lake and water management.
Selbaie	2004	Site reclamation and remediation activities.
Rio Algom	1990 - 1996	Long-term remediation costs for various closed mines and processing facilities in Canada and the US operated by Rio Algom Ltd prior to its acquisition by the former Billiton Plc in October 2000.
Ingwe Collieries	1960 - 2002	Site reclamation and remediation activities, including the long-term management of water leaving mining properties, of closed mines within the Ingwe operations.
Boodarie Iron	2005	Site reclamation activities.
Roane	1982	Site remediation activities.
Carson Hill	1990	Post closure monitoring and compliance activities in the US operated by a subsidiary of WMC Resources Ltd prior to its acquisition by the BHP Billiton Group in June 2005.

(d) The provision for post-retirement employee benefits includes pension liabilities of US$231 million (2005: US$417 million) and post-retirement medical benefit liabilities of US$360 million (2005: US$363 million). Refer to note 22. This provision includes non-current non-executive Directors' retirement benefits of US$3 million (2005: US$3 million).

22 Pension and other post-retirement obligations

Pension schemes

Defined contribution pension plans and multi-employer pension plans
The BHP Billiton Group contributed US$118 million (2005: US$99 million) to defined contribution plans and multi-employer defined contribution plans. These contributions are expensed as incurred. Contributions to defined contribution plans for key management personnel are disclosed in note 31.

Defined benefit pension schemes
The BHP Billiton Group has closed all defined benefit schemes to new entrants. Existing defined benefit pension schemes remain operating in Australia, Canada, the US, Europe, South Africa and South America. Full actuarial valuations are prepared and updated annually to 30 June by local actuaries for all schemes. The Projected Unit Credit valuation method was used. The Group operates final salary schemes that provide final salary benefits only, non-salary related schemes that provide flat dollar benefits and mixed benefit schemes that consist of a final salary defined benefit portion and a defined contribution portion. The following sets out details in respect of the Group's defined benefit pension schemes.

The amounts recognised in the balance sheet are as follows:

	Australia US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2006							
Present value of funded defined benefit obligation	437	132	477	362	213	79	1,700
Present value of unfunded defined benefit obligation	4	23	32	–	–	–	59
(Fair value of defined benefit scheme assets)	(414)	(151)	(396)	(283)	(250)	(91)	(1,585)
(Surplus)/deficit	27	4	113	79	(37)	(12)	174
Unrecognised surplus	–	28	–	–	11	14	53
Adjustment for employer contributions tax	4	–	–	–	–	–	4
Net liability recognised in the balance sheet	31	32	113	79	(26)	2	231
Amounts in the balance sheet as at 30 June 2006							
Assets	(7)	–	–	–	(26)	–	(33)
Liabilities	38	32	113	79	–	2	264
Net liability recognised in the balance sheet	31	32	113	79	(26)	2	231
Year ended 30 June 2005							
Present value of funded defined benefit obligation	448	118	518	351	195	89	1,719
Present value of unfunded defined benefit obligation	3	12	12	–	–	–	27
(Fair value of defined benefit scheme assets)	(398)	(135)	(317)	(235)	(262)	(89)	(1,436)
(Surplus)/deficit	53	(5)	213	116	(67)	-	310
Unrecognised surplus	–	27	–	3	67	3	100
Adjustment for employer contributions tax	7	–	–	–	–	–	7
Net liability recognised in the balance sheet	60	22	213	119	–	3	417
Amounts in the balance sheet as at 30 June 2005							
Assets	–	–	–	–	–	–	–
Liabilities	60	22	213	119	–	3	417
Net liability recognised in the balance sheet	60	22	213	119	–	3	417

The Group has no legal obligation to settle this liability with any immediate contributions or additional one-off contributions. The Group intends to continue to contribute to each defined benefit scheme in accordance with the latest recommendations of the actuary to each scheme.

22 Pension and other post-retirement obligations continued

The amounts recognised in the income statement are as follows:

	Australia US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2006							
Current service cost	29	7	14	13	2	2	67
Interest cost	18	7	28	16	14	5	88
(Expected return on scheme assets)	(30)	(9)	(26)	(13)	(19)	(6)	(103)
Past service costs	1	–	–	–	2	–	3
Losses/(gains) on settlements/curtailments	(2)	–	–	(3)	–	–	(5)
Increase in adjustment for employer contributions tax	(2)	–	–	–	–	–	(2)
Total expense	14	5	16	13	(1)	1	48
- Recognised in employee benefits expense	26	7	14	10	4	2	63
- Recognised in net finance costs	(12)	(2)	2	3	(5)	(1)	(15)
Year ended 30 June 2005							
Current service cost	25	5	12	11	3	1	57
Interest cost	17	7	28	14	18	4	88
(Expected return on scheme assets)	(22)	(8)	(25)	(13)	(25)	(5)	(98)
Past service costs	–	–	–	–	–	–	–
Losses/(gains) on settlements/curtailments	–	–	(2)	–	(3)	–	(5)
Increase in adjustment for employer contributions tax	–	–	–	–	–	–	–
Total expense	20	4	13	12	(7)	–	42
- Recognised in employee benefits expense	25	5	10	11	–	1	52
- Recognised in net finance costs	(5)	(1)	3	1	(7)	(1)	(10)

The amounts recognised in the statement of recognised income and expense (SORIE) are as follows:

	Australia US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2006							
Actuarial (gains)/losses	(20)	5	(45)	(24)	32	(12)	(64)
Adjustment for limit on net asset	–	(3)	–	(3)	(53)	11	(48)
Total amount recognised in the SORIE	(20)	2	(45)	(27)	(21)	(1)	(112)
Year ended 30 June 2005							
Actuarial (gains)/losses	(13)	9	66	47	(41)	10	78
Adjustment for limit on net asset	–	3	–	3	37	(8)	35
Total amount recognised in the SORIE	(13)	12	66	50	(4)	2	113
Year ended 30 June 2006							
Total cumulative amount to the balance sheet date of actuarial (gains)/losses recognised in the SORIE [(a)]	(33)	14	21	23	(25)	1	1
Year ended 30 June 2005							
Total cumulative amount to the balance sheet date of actuarial (gains)/losses recognised in the SORIE [(a)]	(13)	12	66	50	(4)	2	113

(a) Cumulative amounts are calculated from the transition to IFRS on 1 July 2004.

The actual return on assets for the year ended 30 June 2006 is as follows:

	Australia US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2006							
Actual return on assets for the year ended 30 June 2006	43	7	21	24	47	5	147
Year ended 30 June 2005							
Actual return on assets for the year ended 30 June 2005	54	17	32	27	60	15	205

The changes in the present value of defined benefit obligations are as follows:

	2006 US$M	2005 US$M
Defined benefit obligation at beginning of year	1,746	1,421
Current service cost	67	57
Interest cost	88	88
Contributions by scheme participants	10	11
Actuarial (gains)/losses on benefit obligation	(19)	187
(Benefits paid)	(156)	(98)
Adjustment due to the inclusion of insured pensioners	–	12
Past service cost	3	–
Acquired in business combinations	38	63
Curtailment (gains)/losses	(5)	(5)
Reduction in defined benefit obligation due to settlement	(8)	(23)
Currency exchange (gains)/losses	(5)	33
Defined benefit obligation at end of year	1,759	1,746

22 Pension and other post-retirement obligations continued

The changes in the fair value of scheme assets are as follows:

	2006 US$M	2005 US$M
Fair value of scheme assets at beginning of year	1,436	1,190
Expected return on scheme assets	103	98
Actuarial gains/(losses) on scheme assets	45	109
Employer contributions	156	66
Contributions by scheme participants	10	11
(Benefits paid)	(156)	(98)
Adjustment due to the inclusion of insured pensions	–	12
Acquired in business combinations	8	49
Reduction in scheme assets due to settlements during the year	(8)	(23)
Currency exchange (gains)/losses	(9)	22
Fair value of scheme assets at end of year	1,585	1,436

The fair values of defined benefit pension scheme assets segregated by major asset class are as follows:

	Australia US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2006							
Bonds	200	75	246	118	16	87	742
Equities	181	60	144	129	107	2	623
Property	29	–	–	–	4	–	33
Cash and net current assets	–	–	–	–	–	–	–
Insured annuities	–	9	–	29	96	–	134
Other	4	7	6	7	27	2	53
Total	414	151	396	283	250	91	1,585
Year ended 30 June 2005							
Bonds	100	70	77	86	23	85	441
Equities	243	50	237	104	115	2	751
Property	33	–	–	–	3	–	36
Cash and net current assets	11	6	3	4	19	1	44
Insured annuities	–	9	–	20	98	–	127
Other	11	–	–	21	4	1	37
Total	398	135	317	235	262	89	1,436

Scheme assets classified as 'Other' as at 30 June 2006 primarily comprise of investments in hedge funds and private equity in Australia, and index-linked gilts in Europe.

The fair value of scheme assets includes no amounts relating to any of the Group's own financial instruments or any of the property occupied by, or other assets used by the Group.

The overall expected rate of return on assets is the weighted average of the expected rate of return on each applicable asset class and reflects the actual asset allocation as at the reporting date. For bonds, the expected rate of return reflects the redemption yields available on corporate and government bonds, as applicable, as at the reporting date. For all other asset classes, the expected rate of return reflects the rate of return expected over the long term.

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

	Australia %	Canada %	US %	Europe %	South Africa %	South America %	Total %
Year ended 30 June 2006							
Discount rate	4.9	5.7	6.3	5.1	8.5	7.2	5.9
Future salary increases	4.1	4.2	4.5	4.5	6.8	4.5	4.7
Future pension increases	–	–	3.0	2.5	5.5	2.7	3.3
Expected rate of return on scheme assets	6.2	6.3	7.2	6.2	8.5	7.2	6.9
Year ended 30 June 2005							
Discount rate	4.3	5.2	5.1	4.6	7.5	6.0	5.1
Future salary increases	4.1	3.9	4.5	3.9	5.0	4.3	4.3
Future pension increases	–	–	3.0	2.4	3.8	2.7	2.9
Expected rate of return on scheme assets	8.0	6.3	8.3	5.7	7.8	7.0	7.4

22 Pension and other post-retirement obligations continued

The present value of defined benefit obligations, fair value of scheme assets and associated experience adjustments are shown prospectively from the Group's IFRS transition date as follows:

	Australia US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Year ended 30 June 2006							
Present value of defined benefit obligation	441	155	509	362	213	79	1,759
(Fair value of defined benefit scheme assets)	(414)	(151)	(396)	(283)	(250)	(91)	(1,585)
(Surplus)/deficit in the scheme	27	4	113	79	(37)	(12)	174
Experience adjustments to scheme liabilities	(14)	(6)	(3)	(7)	(31)	3	(58)
Experience adjustments to scheme assets	13	(2)	(4)	11	28	(1)	45
Year ended 30 June 2005							
Present value of defined benefit obligation	451	130	530	351	195	89	1,746
(Fair value of defined benefit scheme assets)	(398)	(135)	(317)	(235)	(262)	(89)	(1,436)
(Surplus)/deficit in the scheme	53	(5)	213	116	(67)	–	310
Experience adjustments to scheme liabilities	(1)	(4)	–	(2)	(6)	(5)	(18)
Experience adjustments to scheme assets	32	9	7	13	35	10	106

Under IAS 19 / AASB 119, experience adjustments to scheme liabilities do not include the effect of changes in actuarial assumptions.

	Australia US$M	Canada US$M	US US$M	Europe US$M	South Africa US$M	South America US$M	Total US$M
Estimated employer contributions for the year ending 30 June 2007	22	7	11	16	2	1	59
Estimated contributions by scheme participants for the year ending 30 June 2007	2	–	–	2	1	–	5

Net financial position of pension schemes

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 119 'Employee Benefits' based on values of assets and liabilities as at 30 June 2006.

	Net market value of assets		Accrued benefits		Surplus/(deficit)	
Name of fund	2006 US$M	2005 US$M	2006 US$M	2005 US$M	2006 US$M	2005 US$M
BHP Billiton Superannuation Fund [(a)]	1,440	1,272	1,430	1,228	10	44
Other Australian plans [(a)]	184	184	191	191	(7)	(7)
Other plans [(b)]	1,171	1,038	1,318	1,295	(147)	(257)

(a) Measured as the difference between the net market value of plan assets and accrued benefits, as determined in accordance with AAS 25 'Financial Reporting by Superannuation Plans'.

(b) Non-Australian plans are not required to report under AAS 25 'Financial Reporting by Superannuation Plans'. Accrued liabilities and asset values for other plans have generally been taken from IAS 19 / AASB 119 disclosures as at 30 June 2006 (refer above).

In the most recent actuarial reviews of the BHP Billiton Superannuation Plan, the plans actuary recommended that the BHP Billiton Group make contributions to the plan. These were determined using an assumed contribution rate of 17.7 per cent of salaries (plus top up contributions as required), a projected unit credit method of funding and on the basis that the cost of benefits is expected to be that each year as accrued.

The economic assumptions used in making these contribution recommendations include expected return on assets of 7 per cent and a salary increase rate of 3.5 per cent.

Post-retirement medical schemes

Defined benefit post-retirement medical schemes

The BHP Billiton Group operates a number of post-retirement medical schemes in Canada, the US, South Africa and South America. Full actuarial valuations are prepared by local actuaries for all schemes. All of the post-retirement medical schemes in the Group are unfunded. The following sets out details in respect of the Group's post-retirement medical schemes.

22 Pension and other post-retirement obligations continued

The amounts recognised in the balance sheet are as follows:

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	Total US$M
Year ended 30 June 2006					
Present value of unfunded defined benefit obligation	159	139	28	18	344
Unrecognised past service costs	16	–	–	–	16
Net liability recognised in the balance sheet	175	139	28	18	360
Amounts in the balance sheet as at 30 June 2006					
Assets	–	–	–	–	–
Liabilities	175	139	28	18	360
Net liability recognised in the balance sheet	175	139	28	18	360
Year ended 30 June 2005					
Present value of unfunded defined benefit obligation	152	147	26	19	344
Unrecognised past service costs	19	–	–	–	19
Net liability recognised in the balance sheet	171	147	26	19	363
Amounts in the balance sheet as at 30 June 2005					
Assets	–	–	–	–	–
Liabilities	171	147	26	19	363
Net liability recognised in the balance sheet	171	147	26	19	363

The Group has no legal obligation to settle this liability with any immediate contributions or additional one-off contributions. The Group intends to continue to contribute to each post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The amounts recognised in the income statement are as follows:

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	Total US$M
Year ended 30 June 2006					
Current service cost	3	5	–	–	8
Interest cost	10	7	2	1	20
Past service costs	(1)	–	–	–	(1)
Losses/(gains) on settlements/curtailments	–	–	–	–	–
Total expense	12	12	2	1	27
- Recognised in employee benefits expense	2	5	–	–	7
- Recognised in net finance costs	10	7	2	1	20
Year ended 30 June 2005					
Current service cost	4	3	–	–	7
Interest cost	16	8	1	1	26
Past service costs	(7)	–	–	–	(7)
Losses/(gains) on settlements/curtailments	(22)	–	–	–	(22)
Total expense	(9)	11	1	1	4
- Recognised in employee benefits expense	(25)	3	–	–	(22)
- Recognised in net finance costs	16	8	1	1	26

The amounts recognised in the SORIE are as follows:

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	Total US$M
Year ended 30 June 2006					
Total amount of actuarial (gains)/losses recognised in the SORIE	13	(11)	–	(1)	1
Year ended 30 June 2005					
Total amount of actuarial (gains)/losses recognised in the SORIE	12	20	(1)	5	36
Year ended 30 June 2006					
Total cumulative amount to the balance sheet date of actuarial (gains)/losses recognised in the SORIE [(a)]	25	9	(1)	4	37
Year ended 30 June 2005					
Total cumulative amount to the balance sheet date of actuarial (gains)/losses recognised in the SORIE [(a)]	12	20	(1)	5	36

(a) Cumulative amounts are calculated from the transition to IFRS on 1 July 2004.

22 Pension and other post-retirement obligations continued

The changes in the present value of defined benefit obligations are as follows:

	2006 US$M	2005 US$M
Defined benefit obligation at beginning of year	344	323
Current service cost	8	7
Interest cost	20	26
Actuarial (gains)/losses on benefit obligation	1	36
(Benefits paid)	(20)	(19)
Curtailment (gains)/losses	–	(22)
Currency exchange (gains)/losses	(9)	(7)
Defined benefit obligation at end of year	344	344

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

	South Africa %	US %	Canada %	Suriname %	Total %
Year ended 30 June 2006					
Discount rate	8.5	6.3	5.7	6.3	7.3
Medical cost trend rate (ultimate)	6.8	5.0	5.0	5.0	5.8
Year ended 30 June 2005					
Discount rate	7.8	5.1	5.2	5.3	6.3
Medical cost trend rate (ultimate)	6.0	5.0	5.0	5.0	5.4

The impact of a one percentage point variation in the medical cost trend rate on results:

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	Total US$M
Year ended 30 June 2006					
Effect of an increase in the medical cost trend of 1% point on:					
Total of service and interest cost	2	2	–	–	4
Defined benefit obligation	21	14	3	3	41
Effect of a decrease in the medical cost trend of 1% point on:					
Total of service and interest cost	(2)	(2)	–	–	(4)
Defined benefit obligation	(17)	(11)	(2)	(2)	(32)
Year ended 30 June 2005					
Effect of an increase in the medical cost trend of 1% point on:					
Total of service and interest cost	2	2	–	–	4
Defined benefit obligation	18	13	2	3	36
Effect of a decrease in the medical cost trend of 1% point on:					
Total of service and interest cost	(2)	(1)	–	–	(3)
Defined benefit obligation	(15)	(11)	(2)	(2)	(30)

The present value of defined benefit obligations and associated experience adjustments are as follows:

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	Total US$M
Year ended 30 June 2006					
Present value of defined benefit obligation	159	139	28	18	344
Experience adjustments to scheme liabilities	(13)	(3)	(1)	–	(17)
Year ended 30 June 2005					
Present value of defined benefit obligation	152	147	26	19	344
Experience adjustments to scheme liabilities	5	1	1	1	8

Under IAS 19 / AASB 119, experience adjustments to scheme liabilities do not include the effect of changes in actuarial assumptions.

	South Africa US$M	US US$M	Canada US$M	Suriname US$M	Total US$M
Estimated employer contributions for the year ending 30 June 2007	8	10	2	1	21

23 Share capital

	BHP Billiton Limited		BHP Billiton Plc	
	2006 Shares	2005 Shares	2006 Shares	2005 Shares
Share capital				
Ordinary shares fully paid	3,495,949,933	3,587,977,615		
Ordinary shares paid to A$1.36	195,000	195,000		
Special Voting Share of no par value (a)	1	1		
Authorised ordinary shares of US$0.50 par value			3,000,000,000	3,000,000,000
5.5% Preference shares of £1 each (b)			50,000	50,000
Special Voting Share of US$0.50 par value (a)			1	1
Equalisation Share of US$0.50 par value (c)			1	1
Movement in issued fully paid ordinary shares				
Opening number of shares	3,587,977,615	3,759,487,555	2,468,147,002	2,468,147,002
Shares issued on exercise of Employee Share Plan Options (d)	3,923,267	8,859,470	–	–
Partly paid shares converted to fully paid (e)	–	347,018	–	–
Placement of shares for UK regulatory purposes (f)	30	–	–	–
Shares bought back and cancelled (g)	(95,950,979)	(180,716,428)	–	–
Closing number of shares	3,495,949,933	3,587,977,615	2,468,147,002	2,468,147,002
Comprising				
- Shares held by the public	3,495,806,525	3,587,790,694	2,448,933,189	2,466,863,922
- Treasury shares	143,408	186,921	19,213,813	1,283,080
	3,495,949,933	3,587,977,615	2,468,147,002	2,468,147,002
Movement in shares held by the public				
Opening number of shares	3,587,790,694	3,758,509,109	2,466,863,922	2,464,041,848
Shares issued on exercise of Employee Share Plan Options (d)	3,923,267	8,859,470	–	–
Partly paid shares converted to fully paid (e)	–	347,018	–	–
Placement of shares for UK regulatory purposes (f)	30	–	–	–
Purchase of shares by ESOP Trusts	(7,256,240)	(4,138,956)	(4,250,810)	–
Employee share awards exercised following vesting	7,299,753	4,930,481	5,140,077	2,822,074
Shares bought back (g)	(95,950,979)	(180,716,428)	(18,820,000)	–
Closing number of shares (h)	3,495,806,525	3,587,790,694	2,448,933,189	2,466,863,922
Movement in treasury shares				
Opening number of shares	186,921	978,446	1,283,080	4,105,154
Purchase of shares by ESOP Trusts	7,256,240	4,138,956	4,250,810	–
Employee share awards exercised following vesting	(7,299,753)	(4,930,481)	(5,140,077)	(2,822,074)
Shares bought back (g)	–	–	18,820,000	–
Closing number of shares	143,408	186,921	19,213,813	1,283,080
Movement in partly paid shares paid to A$1.36				
Opening number of shares	195,000	405,000		
Partly paid shares converted to fully paid	–	(210,000)		
Closing number of shares	195,000	195,000		
Movement in issued preference shares				
Opening number of shares			50,000	50,000
Closing number of shares			50,000	50,000

	BHP Billiton Limited		BHP Billiton Plc	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Share capital				
Balance at the beginning of the year	1,611	1,851	1,234	1,234
Exercise of Employee Share Plan Options	24	56	–	–
Shares bought back and cancelled (g)	(145)	(296)	–	–
Balance at the end of the year	1,490	1,611	1,234	1,234
Treasury shares				
Balance at the beginning of the year	(1)	(5)	(7)	(21)
Purchase of shares by ESOP Trusts	(120)	(47)	(67)	–
Employee share awards exercised following vesting	119	51	67	14
Shares bought back (g)	–	–	(409)	–
Balance at the end of the year	(2)	(1)	(416)	(7)

23 Share capital continued

(a) 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 Electorate Actions.

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

(c) An Equalisation Share has been authorised to be issued to enable a distribution to be made by BHP Billiton Plc Group 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.

(d) Includes bonus shares.

(e) There were no partly paid shares issued and no existing partly paid shares converted to fully paid shares during the year. At 30 June 2006, 70,000 partly paid shares on issue are entitled to 79,928 bonus shares on becoming fully paid. The remaining partly paid shares are entitled to an equal number of fully paid shares upon conversion to fully paid shares.

(f) In December 2005, 30 ordinary shares of BHP Billiton Limited were offered to certain Group employees in the UK at the prevailing market price. The offers were accepted and the shares were issued in December 2005. The issue supports the election by BHP Billiton Limited of the UK as its home member state for the purpose of the European Union Prospectus Directive.

(g) On 3 April 2006, the BHP Billiton Group completed an off-market buy-back of 95,950,979 BHP Billiton Limited shares. In accordance with the structure of the buy-back, US$145 million was allocated to the share capital of BHP Billiton Limited and US$1,475 million was allocated to retained earnings. These shares were then cancelled. The final price for the buy-back was A$23.45 per share, representing a discount of 14 per cent to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including the closing date of the buy-back. At the annual general meetings in 2005, the shareholders authorised BHP Billiton Plc to enter into contracts to purchase up to 247 million of BHP Billiton Plc shares. On 16 May 2006, the BHP Billiton Group completed an on-market buy-back of 18,820,000 BHP Billiton Plc shares. All BHP Billiton Plc shares bought back are held as Treasury shares within the share capital of BHP Billiton Plc. The shares were re-purchased at an average price of £11.5356, representing a discount of 8.8 per cent to the average BHP Billiton Limited share price between 27 April 2006 and 16 May 2006. On 23 November 2004, the BHP Billiton Group completed an off-market share buy-back of 180,716,428 BHP Billiton Limited shares. In accordance with the structure of the buy-back, US$296 million was allocated to the share capital of BHP Billiton Limited and US$1,481 million was allocated to retained earnings. These shares were then cancelled. The final price for the buy-back was A$12.57 per share, representing a discount of 12 per cent to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including the closing date of the buy-back.

(h) During the period 1 July 2006 to 11 September 2006, no Executive Share Scheme partly paid shares were paid up in full, 750,208 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan Options, no fully paid ordinary shares (including attached bonus shares were issued on the exercise of Performance Share Plan Performance Rights and no fully paid ordinary shares were issued on the exercise of Group Incentive Scheme awards.

24 Reserves

	2006 US$M	2005 US$M
Share premium account		
Opening balance	518	518
Closing balance	518	518

The share premium account represents the premium paid on the issue of BHP Billiton Plc shares recognised in accordance with the UK Companies Act 1985.

	2006 US$M	2005 US$M
Foreign currency translation reserve (a)		
Opening balance	7	–
Exchange fluctuations on translation of foreign operations	(1)	7
Closing balance	6	7
Employee share awards reserve (b)		
Opening balance	154	118
Accrued employee entitlement for unvested awards	61	53
Income tax expense on accrued employee entitlement for unvested awards	28	16
Employee share awards exercised following vesting	(45)	(33)
Closing balance	198	154
Hedging reserve – cash flow hedges (c)		
Opening balance	–	–
Adjustment for adoption of IAS 39/AASB 139	30	–
Opening balance after adoption of IAS 39/AASB 139	30	–
Net loss on cash flow hedges	(27)	–
Net gains on cash flow hedges transferred to initial carrying amount of hedged item	(25)	–
Deferred tax arising on hedges	15	–
Closing balance	(7)	–
Financial asset reserve (d)		
Opening balance	–	–
Adjustments for adoption of IAS 39/AASB 139	116	–
Opening balance after adoption of IAS 39/AASB 139	116	–
Valuation loss transferred to the income statement	(1)	–
Deferred tax arising on revaluation	(6)	–
Closing balance	109	–
Total reserves	306	161

24 Reserves (continued)

(a) The foreign currency translation reserve represents exchange differences relating to the translation of non-US functional currency controlled entities of the BHP Billiton Group into US dollars with entries recorded directly to the foreign currency translation reserve.
(b) The employee share awards reserve represents the accrued employee entitlement to share awards that have been charged to the income statement and have not yet been exercised.
(c) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the hedged transaction impacts the income statement, or is included as a basis adjustment to the non-financial hedged item, consistent with the application of the accounting policy.
(d) The financial assets reserve represents the revaluation of available for sale financial assets. Where a revalued financial asset is sold, the portion of that reserve which relates to the financial asset is realised in the income statement.

25 Retained earnings

	2006 US$M	2005 US$M
Retained earnings opening balance	14,059	10,700
Adjustment for adoption of IAS 39 / AASB 139	55	–
Retained earnings opening balance after adoption of IAS 39 / AASB 139	14,114	10,700
Dividends paid	(1,938)	(1,409)
Employee share awards exercised following vesting	(141)	(25)
Actuarial gains/(loss) net of tax recognised through the statement of recognised income and expense	78	(122)
BHP Billiton Limited share buy-back – refer to note 23	(1,475)	(1,481)
Profit attributable to members of BHP Billiton Group	10,450	6,396
Retained earnings closing balance	21,088	14,059

26 Total equity

	Attributable to members of BHP Billiton Group		Minority interests	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Total equity opening balance	17,575	14,396	341	347
Adjustment for adoption of IAS 39 / AASB 139 – retained earnings	55	–	–	–
– hedging reserve	30	–	–	–
– financial asset reserve	116	–	–	–
Total equity opening balance after adoption of IAS 39 / AASB 139	17,776	14,396	341	347
Changes in the statement of recognised income and expense	10,511	6,306	84	232
Transactions with owners – contributed equity	24	56	–	–
Dividends	(1,938)	(1,409)	(188)	(238)
Accrued employee entitlement to share awards	61	53	–	–
Purchases of shares made by ESOP Trusts	(187)	(47)	–	–
Cash settlement of share awards	–	(3)	–	–
BHP Billiton Plc share buy-back – refer to note 23	(409)	–	–	–
BHP Billiton Limited share buy-back – refer to note 23	(1,620)	(1,777)	–	–
Total equity closing balance	24,218	17,575	237	341

27 Employee share ownership plans

Employee share awards – current plans

2006	Number of awards issued at the beginning of the financial year	Number of awards issued during the year	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Plc						
Long Term Incentive Plan Performance Shares (b)	2,317,300	3,016,500	10,000	382,334	4,941,466	–
Group Incentive Scheme Performance Shares (b)	4,819,393	–	2,841,792	31,088	1,946,513	487,085
Group Incentive Scheme Options (b)	1,184,506	312,211	620,494	–	876,223	235,645
- weighted average exercise price (£)	4.94	8.82	4.51	–	6.62	4.43
Group Incentive Scheme Deferred Shares (b)	2,493,101	1,013,048	1,203,750	27,483	2,274,916	228,633
BHP Billiton Limited						
Long Term Incentive Plan Performance Shares (b)	4,764,108	7,158,350	1,250	442,124	11,479,084	–
Group Incentive Scheme Performance Shares (b)	9,860,582	–	4,487,242	168,321	5,205,019	1,964,029
Group Incentive Scheme Options (b)	2,067,040	467,986	255,293	31,719	2,248,014	1,054,816
- weighted average exercise price (A$)	12.73	21.91	11.93	15.39	14.71	11.11
Group Incentive Scheme Deferred Shares (b)	5,107,264	2,086,697	1,915,876	98,070	5,180,015	875,600

27 Employee share ownership plans continued

2005	Number of awards issued at the beginning of the financial year	Number of awards issued during the year	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Plc						
Long Term Incentive Plan Performance Shares (b)	–	2,354,800	–	37,500	2,317,300	–
Group Incentive Scheme Performance Shares (b)	4,833,951	358,128	281,123	91,563	4,819,393	–
Group Incentive Scheme Options (b)	855,044	378,384	14,353	34,569	1,184,506	–
- weighted average exercise price (£)	4.43	6.02	4.43	4.43	4.94	–
Group Incentive Scheme Deferred Shares (b)	1,310,131	1,308,709	79,665	46,074	2,493,101	–
BHP Billiton Limited						
Long Term Incentive Plan Performance Shares (b)	–	4,854,485	–	90,377	4,764,108	–
Group Incentive Scheme Performance Shares (b)	10,136,908	637,676	668,853	245,149	9,860,582	–
Group Incentive Scheme Options (b)	1,309,448	780,181	–	22,589	2,067,040	–
- weighted average exercise price (A$)	11.11	15.39	–	11.11	12.73	–
Group Incentive Scheme Deferred Shares (b)	2,884,289	2,536,991	256,111	57,905	5,107,264	–

Fair value and assumptions in the calculation of fair value

2006	Fair value of awards granted during the year (c) US$M	Risk free interest rate (d)	Estimated life of awards	Share price at grant date	Estimated volatility of share price (e)	Estimated per annum lapses due to attrition of participants over term	Dividend yield
BHP Billiton Plc							
Long Term Incentive Plan Performance Shares (b)	12.247	4.43%	5 years	£7.22	22.5%	2%	1.78%
Group Incentive Scheme Options and Deferred Shares (b)	16.358	4.09%	3 years	n/a	n/a	2%	n/a
BHP Billiton Limited							
Long Term Incentive Plan Performance Shares (b)	27.774	5.62%	5 years	A$18.09	22.5%	2%	1.67%
Group Incentive Scheme Options and Deferred Shares (b)	35.685	5.08%	3 years	n/a	n/a	2%	n/a
	92.064						

2005	Fair value of awards granted during the year (c) US$M	Risk free interest rate (d)	Estimated life of awards	Share price at grant date	Estimated volatility of share price (e)	Estimated per annum lapses due to attrition of participants over term	Dividend yield
BHP Billiton Plc							
Long Term Incentive Plan Performance Shares (b)	12.316	4.87%	5 years	£6.20	22.5%	2%	1.51%
Group Incentive Scheme Options and Deferred Shares (b)	14.898	4.90%	3 years	n/a	n/a	2%	n/a
BHP Billiton Limited							
Long Term Incentive Plan Performance Shares (b)	26.166	5.60%	5 years	A$15.17	22.5%	2%	1.51%
Group Incentive Scheme Options and Deferred Shares (b)	33.710	5.40%	3 years	n/a	n/a	2%	n/a
	87.090						

27 Employee share ownership plans continued

Employee share awards – past plans[(a)]

2006	Number of awards at the beginning of the financial year	Number of awards issued	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Plc						
Restricted Share Scheme	132,978	–	27,202	–	105,776	105,776
Co-Investment Plan	522,306	–	414,582	57,308	50,416	50,416
BHP Billiton Limited						
Employee Share Plan Options	14,571,693	–	3,923,267	91,711	10,556,715	10,556,715
- weighted average exercise price (A$)	7.83	–	8.02	7.82	7.76	7.76
Employee Share Plan Shares	16,611,045	–	2,457,469	–	14,153,576	14,153,576
Executive Share Scheme Partly Paid Shares	274,918	–	–	–	274,918	274,918
Performance Share Plan Performance Rights	1,629,669	–	596,579	21,091	1,011,999	1,011,999
Bonus Equity Share Plan Shares	47,662	–	–	–	47,662	47,662

2005	Number of awards at the beginning of the financial year	Number of awards issued	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Plc						
Restricted Share Scheme	4,076,894	–	3,492,699	451,217	132,978	132,978
Co-Investment Plan	539,984	–	14,707	2,971	522,306	–
BHP Billiton Limited						
Employee Share Plan Options	24,309,476	–	8,550,570	1,187,213	14,571,693	14,571,693
- weighted average exercise price (A$)	7.94	–	8.08	8.28	7.83	7.83
Employee Share Plan Shares	18,660,656	–	2,049,611	–	16,611,045	16,611,045
Executive Share Scheme Partly Paid Shares	621,936	–	347,018	–	274,918	274,918
Performance Share Plan Performance Rights	5,244,027	–	3,218,307	396,051	1,629,669	1,629,669
Bonus Equity Share Plan Shares	818,746	–	748,345	22,739	47,662	47,662

(a) Awards issued under these plans occurred before 7 November 2002 and as such are exempt from the provisions of IFRS 2 'Share-based Payment'. Details of these plans have been provided here for information purposes only.

(b) Awards are made to senior management under the Group Incentive Scheme and Long Term Incentive Plan and take the form of Performance Shares, Deferred Shares or Options in either BHP Billiton Plc or BHP Billiton Ltd and were made subject to performance hurdles that were set by the Remuneration Committee. The Remuneration Committee also recommended the value of the ordinary shares to constitute an award and this value did not exceed 100 per cent of a participant's annual base salary. Subject to the performance hurdles being met and the extent to which they are met, the award will vest and the participant will become entitled to the appropriate number of ordinary shares, or if relevant, entitled to exercise options over the relevant number of ordinary shares.

(c) The fair value of awards as presented in the tables above represents the fair value at grant date. The fair values of awards granted were estimated using the Monte Carlo option pricing technique, Black-Scholes option pricing technique and net present value technique.

(d) The risk-free rate used is the long-term US Government bond rate.

(e) Historical volatility has been used to estimate the volatility of the share price.

27 Employee share ownership plans continued

Employee share awards – summary

Month of issue	Number issued	Number of recipients	Number exercised since commencement of plan	Number lapsed	Awards outstanding at: Balance date	Awards outstanding at: Date of directors' report	Exercise price (e)	Exercise period / release date
BHP Billiton Plc								
Restricted Share Scheme (b)(d)								
November 2001 (Awards)	292,577	1	98,574	194,003	–	–	–	Nov 2004
October 2001 (Awards)	4,446,532	147	3,436,002	1,010,530	–	–	–	Nov 2004
October 2001 (Options)	918,446	32	635,727	176,943	105,776	101,536	–	Oct 2004 – Sept 2008
	5,657,555				105,776	101,536		
Co-Investment Plan (b)(d)								
November 2001	100,945	1	23,131	77,814	–	–	–	Oct 2003 – Sep 2011
October 2001	922,480	83	560,754	311,310	50,416	44,434	–	Oct 2003 – Sept 2011
	1,023,425				50,416	44,434		
Long Term Incentive Plan Performance Shares								
December 2005	3,016,500	208	5,000	63,750	2,947,750	2,597,250	–	Aug 2010 – Aug 2015
December 2004	2,354,800	159	5,000	356,084	1,993,716	1,764,086	–	Aug 2009 – Aug 2014
	5,371,300				4,941,466	4,361,336		
Group Incentive Scheme								
Deferred Shares								
December 2005	1,013,048	180	29,084	6,389	977,575	878,486	–	Aug 2007 – Aug 2010
December 2004	1,308,709	200	191,414	48,587	1,068,708	456,174	–	Aug 2006 – Aug 2009
November 2003	1,397,818	194	1,074,527	94,658	228,633	207,343	–	Aug 2005 – Aug 2008
Options								
December 2005	312,211	33	–	–	312,211	312,211	£8.82	Aug 2007 – Aug 2010
December 2004	378,384	45	30,036	19,981	328,367	296,628	£6.11	Aug 2006 – Aug 2009
November 2003	918,054	78	626,052	56,357	235,645	217,800	£4.43	Aug 2005 – Aug 2008
Performance Shares								
December 2004	358,128	42	62,957	27,731	267,440	263,617	–	Aug 2007 – Aug 2010
November 2003	1,649,448	210	320,861	136,599	1,191,988	652,786	–	Aug 2006 – Aug 2009
November 2002	3,966,768	209	2,823,138	656,545	487,085	465,465	–	Aug 2005 – Aug 2008
	11,302,568				5,097,652	3,750,510		
BHP Billiton Limited								
Performance Share Plan Performance Rights (d)								
November 2001 (LTI)	5,114,298	110	3,450,238	813,381	850,679	673,064	–	Oct 2004 – Sept 2011
October 2001 (LTI)	173,879	2	156,490	17,389	–	–	–	Oct 2004 – Sept 2011
October 2001(MTI)	238,940	6	191,305	47,635	–	–	–	Oct 2003 – Mar 2006
December 2000 (LTI)	415,510	11	348,674	–	66,836	23,245	–	July 2003 – Dec 2010
November 2000 (LTI)	4,441,620	104	4,140,858	206,278	94,484	94,484	–	July 2003 – Oct 2010
	10,384,247				1,011,999	790,793		
Long Term Incentive Plan								
December 2005	7,158,350	461	–	209,583	6,948,767	6,835,392	–	Aug 2010 – Aug 2015
December 2004	4,854,485	293	1,250	322,918	4,530,317	4,473,692	–	Aug 2009 – Aug 2014
	12,012,835				11,479,084	11,309,084		
Group Incentive Scheme								
Deferred Shares								
December 2005	2,086,697	396	21,039	29,087	2,036,571	1,993,426	–	Aug 2007 – Aug 2010
December 2004	2,536,991	384	162,954	106,193	2,267,844	1,052,412	–	Aug 2006 – Aug 2009
November 2003	3,001,722	391	2,018,878	107,244	875,600	638,523	–	Aug 2005 – Aug 2008
Options								
December 2005	467,986	71	9,663	–	458,323	453,417	A$21.91	Aug 2007 – Aug 2010
December 2004	780,181	70	13,587	31,719	734,875	659,317	A$15.39	Aug 2006 – Aug 2009
November 2003	1,338,814	104	232,043	51,955	1,054,816	982,920	A$11.11	Aug 2005 – Aug 2008
Performance Shares								
December 2004	637,676	105	57,617	65,166	514,893	484,844	–	Aug 2007 – Aug 2010
November 2003	3,353,538	409	345,290	282,151	2,726,097	957,478	–	Aug 2006 – Aug 2009
November 2002	7,510,243	425	4,910,617	635,597	1,964,029	1,459,722	–	Aug 2005 – Aug 2008
	21,713,848				12,633,048	8,684,059		

27 Employee share ownership plans continued

Month of issue	Number issued	Number of reci-pients	Number exercised since commencement of plan	Number lapsed	Awards outstanding at: Balance date	Date of directors' report	Exercise price (e)	Exercise period / release date
Employee Share Plan Options (a)								
September 2002	67,500	1	60,750	6,750	–	–	A$8.95	Oct 2004 – Sept 2011
November 2001	6,870,500	113	3,685,011	1,412,499	1,772,990	1,657,790	A$8.30	Oct 2004 – Sept 2011
November 2001	7,207,000	153	4,577,229	1,280,988	1,348,783	1,187,663	A$8.29	Oct 2004 – Sept 2011
December 2000	3,444,587	67	2,084,650	485,625	874,312	720,465	A$8.72	July 2003 – Dec 2010
December 2000	2,316,010	59	1,513,243	299,605	503,162	426,231	A$8.71	July 2003 – Dec 2010
November 2000	1,719,196	44	750,978	547,454	420,764	384,625	A$8.28	July 2003 – Oct 2010
November 2000	7,764,776	197	6,151,315	871,935	741,526	702,553	A$8.27	July 2003 – Oct 2010
April 2000	61,953	3	41,302	–	20,651	20,651	A$7.60	April 2003 – April 2010
April 2000	937,555	5	76,409	138,362	722,784	722,784	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	66,083	30,977	8,260	8,260	A$7.57	April 2002 – April 2009
July 1999	206,510	1	206,510	–	–	–	A$7.60	April 2002 – April 2009
April 1999	44,474,820	45,595	20,007,126	21,394,965	3,072,729	2,980,656	A$6.92	April 2002 – April 2009
April 1999	16,901,398	944	9,494,607	6,336,037	1,070,754	991,279	A$6.92	April 2002 – April 2009
	92,799,910				10,556,715	9,802,957		
Bonus Equity Share Plan Shares (a)								
November 2001	1,016,845	117	918,863	50,320	47,662	43,944	–	Nov 2004 – Oct 2006
	1,016,845				47,662	43,994		

(a) The terms and conditions for all BHP Billiton Group employee ownership plans are detailed in note 40, except as follows:

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

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

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

The Employee Share Plan option issues for 2002 and 2001 were made on substantially the same terms and conditions as the 2000 issue, the conditions of which are detailed in note 40.

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

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

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

(e) Exercise price on awards issued is equal to the exercise price as per awards outstanding.

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

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

(ii) 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 Long Term Incentive Plan, Group Incentive Scheme, and Performance Share Plan.

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

(iv) The BHP Billiton Limited Executive Incentive Schemes Trust (BEIS Trust) is a discretionary trust established for the purposes of holding shares in BHP Billiton Limited to satisfy exercises made under the BHP Billiton Limited Group Incentive Scheme, BHP Billiton Limited Long Term Incentive Plan and other employee share schemes operated by BHP Billiton Limited from time to time.

28 Financial instruments

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

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

There are two components to the Portfolio Risk Management Strategy:

> **Risk mitigation** – where risk is managed at the portfolio level within an approved Cash Flow at Risk ('CFaR') framework to support the achievement of the BHP Billiton Group's broader strategic objectives. The CFaR framework is a means to quantify the variability of the BHP Billiton Group's cash flows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cash flows over a one-year horizon under normal market conditions at a confidence level of 95 per cent).
>
> Where CFaR is within the Board-approved limits, hedging activities of operational currency exposures are not undertaken. However, the Group generally hedges the non-US dollar currency exposure of major capital expenditure projects and non-US dollar marketing contracts. There could also be circumstances, for example, such as following a major acquisition, when it becomes appropriate to mitigate risk in order to support the BHP Billiton Group's strategic objectives. In such circumstances, the BHP Billiton Group may execute hedge transactions or utilise other techniques to return risk to within approved parameters.
>
> **Strategic financial transactions** – where opportunistic transactions are entered into to capture value from perceived market over/under valuations. These transactions occur on an infrequent basis and are treated separately to the risk mitigation transactions, with all gains and losses included in the income statement at the end of each reporting period. These transactions are strictly controlled under a separate stop-loss and Value at Risk limit framework. There have been no strategic financial transactions undertaken to date.

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

The FRMC receives reports on, amongst other matters: financing requirements both for existing operations and new capital projects; assessments of risks and rewards implicit in requests for financing; and market forecasts for interest rates, currency movements and commodity prices, including analysis of sensitivities. In addition, the FRMC receives reports on the various financial risk exposures of the BHP Billiton Group. On the basis of this information, the FRMC determines the degree to which it is appropriate to use financial instruments, commodity contracts, other hedging instruments or other techniques to mitigate the identified risks.

The main risks for which such instruments may be appropriate are interest rate risk, liquidity risk, foreign currency risk and commodity price risk, each of which is described below. In addition, where risks could be mitigated by insurance, the FRMC decides whether such insurance is appropriate and cost-effective. FRMC decisions can be implemented directly by Group management or can be delegated from time to time to be implemented by the management of the Customer Sector Groups.

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

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. All interest swaps have been designated as hedging instruments.

The interest rate risk table presents interest rate risk and effective weighted average floating and fixed interest rates for classes of financial assets and liabilities.

28 Financial instruments continued

Interest rate risk

2006	Note	Weighted average floating interest rate	Weighted average fixed interest rate	Floating interest rate US$M	Fixed interest maturity, the earlier of the repricing or maturity date in: 1 year or less US$M	1 to 2 years US$M	2 to 5 years US$M	More than 5 years US$M	Non-interest bearing US$M	Total US$M
Financial assets										
Cash	32	4.9%	3.2%	669	107	–	–	–	–	776
Receivables		4.2%	10.0%	19	2	–	–	–	4,458	4,479
Cross currency and interest rate swaps [(a)]	12	–	–	424	–	–	–	–	–	424
Forward exchange contracts	12	–	–	5	–	–	–	–	25	30
Commodity contracts	12	–	–	–	–	–	–	–	798	798
Other derivative contracts	12	–	–	–	–	–	–	–	35	35
Bonds and debentures	12	–	–	–	–	–	–	–	6	6
Shares – designated at fair value through profit and loss	12	–	–	–	–	–	–	–	81	81
Shares – available for sale	12	–	–	–	–	–	–	–	200	200
Other investments available for sale	12	7.2%	–	181	–	–	–	–	3	184
				1,298	109	–	–	–	5,606	7,013
Financial liabilities										
Trade creditors		–	–	–	–	–	–	–	2,638	2,638
Sundry creditors		–	–	–	–	–	–	–	1,421	1,421
Cross currency and interest rate swaps [(a)]	20	–	–	176	–	–	–	–	–	176
Forward exchange contracts	20	–	–	12	–	–	–	–	17	29
Commodity contracts	20	–	–	–	–	–	–	–	564	564
Other derivative contracts	20	–	–	–	–	–	–	–	64	64
Unsecured bank overdrafts	19	7.8%	–	16	–	–	–	–	–	16
Unsecured bank loans	19	6.0%	5.3%	1,108	4	–	–	–	–	1,112
Commercial paper	19	5.0%	–	1,354	–	–	–	–	–	1,354
Notes and debentures [(b)]	19	5.1%	7.1%	4,848	1	–	–	1,278	–	6,127
Redeemable preference shares	19	5.5%	–	15	–	–	–	–	–	15
Finance leases	19	6.6%	14.5%	38	–	–	–	22	–	60
Unsecured other	19	9.0%	12.2%	233	5	4	14	35	41	332
				7,800	10	4	14	1,335	4,745	13,908

2005	Note	Weighted average floating interest rate	Weighted average fixed interest rate	Floating interest rate US$M	Fixed interest maturity, the earlier of the repricing or maturity date in: 1 year or less US$M	1 to 2 years US$M	2 to 5 years US$M	More than 5 years US$M	Non-interest bearing US$M	Total US$M
Financial assets										
Cash	32	2.3%	2.3%	1,102	120	–	–	–	–	1,222
Receivables		8.0%	10.0%	85	8	–	2	–	3,756	3,851
Interest rate swaps		7.5%	–	16	–	–	–	–	–	16
Forward exchange contracts		–	–	–	–	–	–	–	40	40
Bonds and debentures		8.7%	8.7%	11	2	–	–	–	–	13
Shares		–	–	–	–	–	–	–	90	90
Other investments	12	7.5%	–	167	–	–	–	–	–	167
				1,381	130	–	2	–	3,886	5,399
Financial liabilities										
Payables		–	–	–	–	–	–	–	3,869	3,869
Unsecured bank overdrafts	19	3.5%	–	15	–	–	–	–	–	15
Unsecured bank loans	19	3.6%	–	3,177	–	–	–	–	–	3,177
Commercial paper	19	3.2%	–	1,602	–	–	–	–	–	1,602
Notes and debentures [(b)]	19	3.7%	6.5%	2,264	316	1	–	1,811	–	4,392
Redeemable preference shares	19	2.7%	6.7%	150	300	–	–	–	–	450
Finance leases	19	3.6%	14.1%	33	–	–	–	23	–	56
Unsecured other	19	3.1%	12.3%	130	5	7	19	38	58	257
				7,371	621	8	19	1,872	3,927	13,818
Interest rate swaps [(c)]				(2,263)	281	–	1,132	850		

(a) No weighted average interest rate disclosed as this has been taken into account in calculating the weighted average interest rate on the notes and debentures to which they relate.
(b) Weighted average interest rates take into account the effect of interest rate and cross currency swaps.
(c) Prior year floating rate debt of US$7,371 million includes fixed rate debt of US$2,263 million that has been swapped to floating rates.

28 Financial instruments continued

Details of interest rate swaps and cross currency swaps in fair value hedge relationships 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		Swap amount (a)	
	2006	2005	2006 %	2005 %	2006 %	2005 %	2006 US$M	2005 US$M
Interest rate swaps								
US dollar swaps								
Pay floating (b)/receive fixed								
Later than two years but not later than five years	n/a	n/a	4.65	–	5.00	–	600	–
Pay floating (b)/receive fixed								
Later than five years	n/a	n/a	4.75	2.68	5.01	4.80	1,600	850
Pay floating (b)/receive fixed								
Later than five years	n/a	n/a	5.75	3.96	5.13	5.13	500	500
Pay fixed /receive floating (b)								
Not later than one year	n/a	n/a	–	1.74	–	3.96	–	(500)
Cross currency swaps								
Australian dollar to US dollar swaps								
Pay floating (b)/receive fixed								
Not later than one year	–	0.5620	–	4.96	–	7.50	–	281
Later than one year but not later than two years	0.5217	–	5.95	–	6.25	–	391	–
Later than two years but not later than five years	–	0.5217	–	3.57	–	6.25	–	391
Euro to US dollar swaps								
Pay floating (b)/receive fixed								
Later than one year but not later than two years	0.9881	–	4.88	–	3.88	–	741	–
Later than two years but not later than five years	1.2415	0.9881	5.25	2.83	4.13	3.88	807	741
Total face value of interest rate swaps							4,639	2,263
Total fair value of interest rate swaps							248	n/a

(a) Amount represents US dollar 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.

Currency risk

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

- transactional exposure in respect of non-functional currency expenditure and revenues
- translational exposure in respect of investments in overseas operations
- translational exposure in respect of non-functional currency monetary items

The potential currency exposures are discussed below.

28 Financial instruments continued

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

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

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

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

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

Forward exchange contracts – designated as cash flow hedge

	Weighted average exchange rate		Contract amounts		Fair value	
	2006	2005	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Relating to capital expenditure hedging						
Forward contracts – sell US dollars/buy Australian dollars						
Not later than one year	0.7346	0.7251	1,315	753	6	–
Later than one year but not later than two years	0.7330	0.6993	330	123	1	–
Later than two years but not later than three years	0.7474	0.7215	31	4	(1)	–
Total	0.7345	0.7214	1,676	880	6	–
Forward contracts – sell Australian dollars/buy US dollars						
Not later than one year	0.7504	0.7649	14	77	–	–
Later than one year but not later than two years	0.7406	0.7507	3	14	1	–
Later than two years but not later than three years	–	0.7408	–	4	–	–
Total	0.7485	0.7618	17	95	1	–
Forward contracts – sell US dollars/buy Euros						
Not later than one year	0.7844	0.7773	6	21	–	–
Later than one year but not later than two years	–	0.7553	–	2	–	–
Total	0.7844	0.7754	6	23	–	–
Forward contracts – sell US dollars/buy Canadian dollars						
Not later than one year	1.1084	1.2821	89	30	–	–
Total	1.1084	1.2821	89	30	–	–
Forward contracts – sell US dollars/buy Chilean pesos						
Not later than one year	535.3	586.6	80	117	(2)	–
Later than one year but not later than two years	–	588.5	–	15	–	–
Total	535.3	586.8	80	132	(2)	–
Forward contracts – sell US dollars//buy Brazilian real						
Not later than one year	2.3450	–	223	–	7	–
Later than one year but not later than two years	2.3858	–	166	–	(5)	–
Total	2.3624	–	389	–	2	–
Total fair value					7	n/a

28 Financial instruments continued

Forward exchange contracts – other

	Weighted average exchange rate 2006	2005	Contract amounts 2006 US$M	2005 US$M
Relating to operating activities				
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	0.7437	–	93	–
Total	0.7437	–	93	–
Forward contracts – sell Australian dollars/buy US dollars				
Not later than one year	0.7343	–	136	–
Total	0.7343	–	136	–
Forward contracts – sell Euros/buy US dollars				
Not later than one year	0.7853	0.8089	358	142
Later than one year but not later than two years	0.7888	0.7850	13	32
Total	0.7854	0.8045	371	174
Forward contracts – sell US dollars/buy Euros				
Not later than one year	0.7833	0.7644	100	5
Later than one year but not later than two years	–	0.7509	–	10
Total	0.7833	0.7553	100	15
Forward contracts – sell US dollars/buy UK pounds sterling				
Not later than one year	–	0.5492	–	46
Total	–	0.5492	–	46
Forward contracts – sell UK pounds sterling/buy US dollars				
Not later than one year	0.5531	0.5427	103	52
Later than one year but not later than two years	0.5393	0.5538	10	40
Total	0.5518	0.5475	113	92
Forward contracts – sell US dollars/buy South African rand				
Not later than one year	6.6459	6.7442	38	52
Later than one year but not later than two years	6.7578	7.9920	3	6
Total	6.6539	6.8832	41	58
Relating to WMC acquisition				
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	–	0.7737	–	484
Total	–	0.7737	–	484

28 Financial instruments continued

Translational exposure in respect of investments in overseas operations

The functional currency of most BHP Billiton Group operations is US dollars. There are certain operations that have Australian dollars and UK pounds sterling as a functional currency. Foreign currency gains or losses arising on translation of the net assets of these operations are shown as a movement in the foreign currency translation reserve.

Where market conditions make it beneficial, the Group will borrow in currencies which would create translational exposure and will swap the liability into an appropriate currency.

Translational exposure in respect of non-functional currency monetary items

Monetary items denominated in currencies other than the functional currency of an operation are periodically restated to US dollar equivalents, and the associated gain or loss is taken to the income statement, with the exception of foreign exchange gains or losses on foreign currency provisions for restoration and rehabilitation that are capitalised in property, plant and equipment. The foreign currency risk is managed as part of the Portfolio Risk Management Strategy and within the overall CFaR limit.

The table below shows the foreign currency risk based on all monetary assets and liabilities in currencies other than the functional currency of the BHP Billiton operations. The amounts shown are after taking into account the effect of any forward foreign currency contracts entered into to manage these risks and excluding provisions for restoration and rehabilitation where foreign exchange gains and losses are capitalised.

	Net foreign currency monetary assets/(liabilities)					
	US$	A$	C$	SA rand	Other	Total
2006	US$M	US$M	US$M	US$M	US$M	US$M
Functional currency of Group operation						
US dollars	–	(3,996)	(391)	(1,000)	(826)	(6,213)
Australian dollars	–	–	–	–	–	–
Canadian dollars	21	–	–	–	–	21
UK pounds sterling	(37)	–	–	–	(71)	(108)
	(16)	(3,996)	(391)	(1,000)	(897)	(6,300)

	Net foreign currency monetary assets/(liabilities)					
	US$	A$	C$	SA rand	Other	Total
2005	US$M	US$M	US$M	US$M	US$M	US$M
Functional currency of Group operation						
US dollars	–	(3,220)	(448)	(722)	(424)	(4,814)
Australian dollars	16	–	–	–	–	16
Canadian dollars	24	–	–	–	–	24
UK pounds sterling	14	–	–	–	(4)	10
	54	(3,220)	(448)	(722)	(428)	(4,764)

Substantial portions of the non-functional currency liabilities of US dollar functional currency operations relate to payables for deferred tax liabilities.

28 Financial instruments continued

Liquidity risk

The Group's US$3.0 billion multi-currency revolving credit facility, which is available for general corporate purposes, matures in September 2009. The remaining outstanding amount on the Group's US$5.5 billion acquisition facility, established in March 2005 in order to assist with financing of the WMC acquisition (and could only be used for the acquisition), was repaid in July 2006.

Moody's Investors Service made no change to the Group's long-term credit rating of A1 (the short-term credit rating is P-1). Standard & Poor's made no change to the Group's long term credit rating of A+ (the short-term credit rating is A-1). The BHP Billiton Group's strong credit profile, diversified funding sources and committed credit facilities ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The BHP Billiton Group's policy on counterparty credit exposures ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

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

2006	Bank loans, debentures and other loans US$M	Derivatives related to net debt US$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	1,362	544	6	–	3,916	5,828
In more than one year but not more than two years	980	124	12	–	143	1,259
In more than two years but not more than three years	547	–	3	–	–	550
In more than three years but not more than four years	1,359	–	3	–	–	1,362
In more than four years but not more than five years	1,388	17	4	–	–	1,409
In more than five years	3,305	148	32	15	–	3,500
	8,941	833	60	15	4,059	13,908

2005	Bank loans, debentures and other loans US$M	Derivatives related to net debt US$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	846	n/a	3	450	3,762	5,061
In more than one year but not more than two years	3,033	n/a	7	–	107	3,147
In more than two years but not more than three years	747	n/a	3	–	–	750
In more than three years but not more than four years	398	n/a	4	–	–	402
In more than four years but not more than five years	1,609	n/a	4	–	–	1,613
In more than five years	2,810	n/a	35	–	–	2,845
	9,443	n/a	56	450	3,869	13,818

Refer to note 32 'Standby arrangements, unused credit facilities' for details of the BHP Billiton Group's undrawn committed facilities.

28 Financial instruments continued

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 been recognised at fair value in the income statement.

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

	Volume		Average price of fixed contract		Term to maturity	Notional amount of fixed contract [(a)]	
	2006	2005	2006 US$	2005 US$	(years)	2006 US$M	2005 US$M
Aluminium ('000 tonnes)							
Forwards – buy fixed/sell floating [(b)]	485	555	2,374	1,734	0-1	1,151	962
	44	74	2,014	1,608	1-4	89	119
Forwards – sell fixed/buy floating [(b)]	477	561	2,490	1,750	0-1	1,188	981
	30	50	2,315	1,615	1-4	69	81
Copper ('000 tonnes)							
Forwards – buy fixed/sell floating [(b)]	264	230	5,327	2,803	0-1	1,409	647
	15	39	5,231	2,542	1-4	78	99
Forwards – sell fixed/buy floating [(b)]	224	218	5,754	2,837	0-1	1,290	618
	11	19	5,088	2,566	1-4	56	49
Zinc ('000 tonnes)							
Forwards – buy fixed/sell floating [(b)]	100	40	2,502	1,237	0-1	251	49
	−	8	−	1,229	1-2	−	9
Forwards – sell fixed/buy floating [(b)]	87	37	2,611	1,229	0-1	226	45
	−	6	−	1,135	1-2	−	6
Lead ('000 tonnes)							
Forwards – buy fixed/sell floating [(b)]	192	45	1,039	947	0-1	199	46
	4	−	1,011	−	1-2	4	−
Forwards – sell fixed/buy floating [(b)]	174	26	1,067	971	0-1	185	26
	4	−	1,010	−	1-2	4	−
Silver ('000 ounces)							
Forwards – buy fixed/sell floating [(b)]	34,270	6,450	10.37	7.36	0-1	354	47
	−	2,000	−	7.47	1-2	−	15
Forwards – sell fixed/buy floating [(b)]	31,221	3,450	10.78	7.47	0–1	336	25
Gold ('000 ounces)							
Forwards – buy fixed/sell floating [(b)]	9,700	−	602	−	0-1	6	−
Forwards –sell fixed/buy floating [(b)]	6,400	−	601	−	0-1	4	−
Petroleum ('000 barrels)							
Forwards – buy fixed/sell floating [(b)]	16,588	−	65.70	−	0-1	1,090	−
	2,532	−	61.78	−	1-4	156	−
Forwards – sell fixed/buy floating [(b)]	16,688	−	65.65	−	0-1	1,096	−
	2,432	−	60.34	−	1-4	147	−
Energy Coal ('000 tonnes)							
Forwards – buy fixed/sell floating [(b)]	12,796	15,790	58.78	60.93	0-1	752	962
	4,320	2,865	59.54	60.20	1-4	257	172
Forwards – sell fixed/buy floating [(b)]	12,655	14,381	59.95	61.04	0-1	759	878
	5,940	2,715	61.80	59.68	1-4	367	162
Gas ('000 therms)							
Forwards (buy)	41,750	89,625	0.62	0.87	0-1	26	78
	−	9,200	−	0.56	1-2	−	5
Forwards (sell)	17,725	86,300	0.54	0.88	0-1	10	76
	−	9,200	−	0.65	1-2	−	6
Electricity ('000 MWh)							
Forwards (buy)	2,050	8,002	77.09	85.32	0-1	158	683
	964	2,187	93.46	93.67	1-4	90	205
Forwards (sell)	2,176	7,933	80.69	85.49	0-1	176	678
	985	2,240	97.26	100.30	1-4	96	225

28 Financial instruments continued

	Volume		Average price of fixed contract		Term to	Notional amount of fixed contract [a]	
	2006	2005	2006 US$	2005 US$	maturity (years)	2006 US$M	2005 US$M
Freight Transport and Logistics							
Time Charter (days)							
Forwards – buy fixed/sell floating [b]	10,506	6,045	19,891	27,375	0-1	209	165
	2,576	2,021	18,061	20,199	1-4	47	41
Forwards – sell fixed/buy floating [b]	12,320	5,855	18,956	26,059	0-1	234	153
	2,208	2,021	16,547	23,180	1-4	37	47
Voyage Charter ('000 tonnes)							
Forwards – buy fixed/sell floating [b]	3,475	2,275	12.51	15.30	0-1	43	35
	1,650	1,400	11.17	13.62	1-4	18	19
Forwards – sell fixed/buy floating [b]	6,300	2,225	12.37	15.83	0-1	78	35
	3,200	3,050	11.26	12.97	1-4	36	40

(a) The notional amount represents the face value of each transaction and accordingly expresses the volume of these transactions, but is not a measure of exposure.
(b) Floating commodity prices in future periods will be based on the benchmarks applicable at the time of the price reset.

Embedded derivatives

Derivatives embedded in host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts or have intrinsic value at inception and the host contracts are not carried at fair value. Contracts are assessed for embedded derivatives when the group becomes a party to them, including at the date of a business combination. These embedded derivatives are measured at fair value at each period end. Any gains or losses arising from changes in fair value are recognised in the income statement for the period.

Host contracts which incorporate embedded derivatives are entered into during the normal course of operations and are standard business practices in these industries.

The following table provides information about the principal embedded derivatives contracts:

	Volume		Maturity date	Exposure price
Commodity Price Swaps				
Electricity purchase arrangement	240,000	MWh	31 Dec 2024	Aluminium
Electricity purchase arrangement	843,000	MWh	30 June 2020	Aluminium
Gas sale	150.67	Pj	31 Dec 2013	Electricity
Commodity Price Options				
Finance lease of plant and equipment	39.5	mmboe	30 Dec 2018	Crude Oil
Copper concentrate sales	90,591,421	Pounds	31 Dec 2006	Copper
Lead purchase and sale	67,000	DMT	1 January 2007	Lead
Zinc purchase and sale	6,000	DMT	2 January 2007	Zinc

Credit risk

Credit risk is the risk that would be incurred as a result of non-performance by counterparties of their contractual obligations towards the BHP Billiton Group.

To manage the risk the BHP Billiton Group maintains group-wide procedures covering the application for credit approvals, granting and renewal of counterparty limits and daily monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

BHP Billiton Group's credit risk exposure can be categorised under the following headings:

Counterparties

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

- *Receivables counterparties*
  The majority of sales to BHP Billiton Group customers are made on open terms.
- *Payment guarantee counterparties*
  A proportion of sales to BHP Billiton Group customers occur via secured payment mechanisms.
- *Hedge counterparties*
  Counterparties to derivatives hedging contracts (covering commodity and financial price risk) consist of a diverse number of financial institutions and physical participants in the relevant markets.

28 Financial instruments continued

- *Cash investment counterparties*
  As part of managing cash flow and liquidity, the BHP Billiton Group holds short term cash investments with a range of financial institutions.

The BHP Billiton Group has no significant concentration of credit risk with any single counterparty or a group of counterparties.

Geographic
The BHP Billiton Group trades in all major geographic regions. Countries in which the BHP Billiton Group has a significant credit exposure include South Africa, Australia, the US, Japan and China. Where appropriate, secured payment mechanisms and other risk mitigation instruments are utilised to protect revenues from credit risk losses.

Industry
In line with our asset portfolio, the BHP Billiton Group sells into a diverse range of industries and customer sectors. This diversity means that the BHP Billiton Group is not materially exposed to any individual industry or customer.

Management of financial risks

Currency risks

Capital expenditure hedging

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve, together with gains and losses recorded on the hedged capital expenditure item. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When the capital expenditure occurs and a non-financial asset (such as plant and equipment) is recognised, associated amounts previously recognised in equity are included in the measurement of the initial cost of the asset. The anticipated maturity of capital expenditure hedges is outlined in the forward exchange contract tables. Amounts capitalised into property, plant and equipment will be recognised in the income statement in accordance with the depreciation profile of the relevant asset, as described in note 1.

Operational foreign currency risk management

Derivatives used to manage short-term foreign currency cash flows and non-US dollar exposures in marketing contracts do not qualify for hedge accounting. Accordingly, changes in the fair value are recognised in the income statement.

Interest rate risk

Changes in the fair value of interest rate swaps and cross currency interest rate swaps are recognised immediately in the income statement.

29 Contingent liabilities

	2006 US$M	2005 US$M
Contingent liabilities at balance date, not otherwise provided for in the financial report, are categorised as arising from:		
Jointly controlled entities		
Other (a)	355	136
	355	136
Subsidiaries and jointly controlled assets (including guarantees)		
Performance guarantees (b)	1	1
Other (a)	220	123
	221	124
Total contingent liabilities	576	260

(a) Other contingent liabilities relate predominantly to actual or potential litigation of the Group for which amounts are reasonably estimable but the liability is not probable and therefore the Group has not provided for such amounts in these financial statements. The amounts relate to a number of actions against the Group, none of which are individually significant. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been included in the table above.

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

(c) For US GAAP reporting purposes, the Group is also required to include as contingent liabilities amounts where (1) provisions have been made in the accounts but further amounts are reasonably possible and (2) additional amounts to the guarantees included above where the probability of a transfer of economic benefits is considered to be remote. Not included in the table above are Group performance guarantees of US$nil million (2005: US$30 million) and US$318 million (2005: US$349 million) relating to other contingent liabilities for which provisions have been included in the Group accounts.

30 Commitments

	2006 US$M	2005 US$M
Capital expenditure commitments not provided for in the financial statements		
Due not later than one year	2,588	2,308
Due later than one year and not later than five years	663	110
Total capital expenditure commitments	3,251	2,418
Lease expenditure commitments		
Finance leases		
Due not later than one year	7	7
Due later than one year and not later than five years	33	30
Due later than five years	61	70
Total commitments under finance leases	101	107
Future financing charges	(41)	(51)
Finance lease liability	60	56
Operating leases (a)		
Due not later than one year	297	250
Due later than one year and not later than five years	490	562
Due later than five years	158	212
Total commitments under operating leases	945	1,024
Other commitments		
Due not later than one year		
Supply of goods and services	817	658
Royalties	5	7
Exploration expenditure	152	199
Chartering costs	90	103
	1,064	967
Due later than one year and not later than five years		
Supply of goods and services	2,318	1,622
Royalties	20	18
Exploration expenditure	108	49
Chartering costs	90	110
	2,536	1,799
Due later than five years		
Supply of goods and services	1,298	1,136
Royalties	38	37
Exploration expenditure	25	32
Chartering costs	29	34
	1,390	1,239
Total other commitments	4,990	4,005

(a) 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.

31 Key management personnel

Directors

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

(i) Chairman - non-executive Director
Don Argus

(ii) Chief Executive Officer
Charles Goodyear

(iii) Executive Directors
Mike Salamon
Marius Kloppers (from 1 January 2006)
Chris Lynch (from 1 January 2006)

(iv) Non-executive Directors
David Brink
David Crawford
David Jenkins
John Schubert
John Buchanan
Carlos Cordeiro
Michael Chaney
Lord Renwick of Clifton
Gail de Planque
Paul Anderson
Jacques Nasser

Michael Chaney and Lord Renwick of Clifton both resigned from the position of non-executive Director on 25 November 2005. Gail de Planque was appointed to the position of non-executive Director on 19 October 2005. Paul Anderson and Jacques Nasser were appointed to the positions of non-executive Directors on 6 June 2006.

Prior to their appointment as Executive Directors, Marius Kloppers and Chris Lynch were Key Management Personnel of the Group.

31 Key Management Personnel continued

Other Key Management Personnel

The following persons also had authority for the responsibility for planning, directing and controlling the activities of the Group:

Name	***Position***
Philip Aiken	President - UK
John Fast	Chief Legal Counsel and Head of External Affairs
Robert Kirkby	Executive President
Marcus Randolph (from 2 September 2005)	Chief Organisation Development Officer
Karen Wood (from 8 December 2005)	Special Adviser and Head of Group Secretariat
Alex Vanselow (from 1 April 2006)	Chief Financial Officer
MikeYeager (from 26 April 2006)	Group President Energy

The Key Management Personnel are the same for BHP Billiton Limited, BHP Billiton Plc and the BHP Billiton Group and include the five highest paid executives.

Key Management Personnel compensation

The principles used to determine the nature and amount of remuneration are detailed in note 40.

Details of compensation

Year ended 30 June 2006:

	Short-term employee benefits					Post-employment benefits	Share-based payments [a] [b]		
Name	Base salary, fees and allowances US$	Annual cash bonus US$	Dividend equivalent payment value [c] US$	Non-monetary benefits [d][f] US$	Other benefits [e] US$	Retirement benefits US$	Value of deferred shares US$	Share-based compensation long-term US$	Total US$
Don Argus	683,833	–	–	–	35,545	33,299	–	–	752,677
Charles Goodyear[j]	1,580,000	1,501,187	496,473	11,668	54,262	758,400	1,001,896	1,107,821	6,511,707
Mike Salamon	1,311,001	2,063,695	252,040	12,374	26,657	–	603,437	634,771	4,903,975
Marius Kloppers	915,359	867,597	199,964	1,645	150,000	361,351	629,312	471,367	3,596,595
Chris Lynch	870,280	814,562	192,152	–	23,582	301,987	566,437	468,638	3,237,638
David Brink	167,000	–	–	–	7,125	–	–	–	174,125
David Crawford	170,500	–	–	–	8,920	7,109	–	–	186,529
David Jenkins	167,506	–	–	–	13,426	–	–	–	180,932
John Schubert	138,000	–	–	–	7,434	5,805	–	–	151,239
John Buchanan	161,000	–	–	–	9,071	–	–	–	170,071
Carlos Cordeiro	151,997	–	–	–	–	–	–	–	151,997
Michael Chaney	47,641	–	–	–	–	1,977	–	–	49,618
Lord Renwick of Clifton	56,737	–	–	–	11,607	–	–	–	68,344
Gail de Planque	99,667	–	–	–	194	–	–	–	99,861
Paul Anderson	10,986	–	–	–	–	–	–	–	10,986
Jacques Nasser	11,333	–	–	–	–	–	–	–	11,333
Alex Vanselow [h]	186,846	144,749	25,234	3,254	174,962	71,001	85,855	55,200	747,101
Philip Aiken	1,036,996	662,976	193,645	3,538	650,921	374,355	554,216	472,885	3,949,532
John Fast	738,079	649,283	157,341	–	–	264,970	503,725	369,787	2,683,185
Marcus Randolph [h]	629,048	617,122	95,077	9,723	168,667	213,876	382,631	191,336	2,307,480
Robert Kirkby	894,021	768,734	196,340	1,230	3,812	327,212	578,754	468,298	3,238,401
Karen Wood [h]	348,779	267,896	44,258	–	1,962	119,980	160,313	93,767	1,036,955
Mike Yeager [i]	151,667	175,153	19,114	2,928	3,000,000	54,297	7,109	45,603	3,455,871
Total	10,528,276	8,532,954	1,871,638	46,360	4,348,147	2,895,619	5,073,685	4,379,473	37,676,152

Details of compensation from date of appointment as Executive Director:

Marius Kloppers [g]	457,679	433,799	99,982	–	–	180,675	314,656	235,683	1,722,474
Chris Lynch [g]	442,653	407,281	96,076	–	23,582	153,601	283,218	234,319	1,640,730

31 Key Management Personnel continued

(a) The amount in respect of share-based payments represents the estimated value of awards granted under the applicable schemes. For long-term share-based compensation fair values at grant date are independently determined using a Monte Carlo simulation model which takes into account Performance Hurdles, the exercise price, the term of the award, the impact of dilution, the non-tradeable nature of the award, 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 award. The fair value of Deferred Shares is estimated at grant date by discounting the total value of the shares that will be issued in the future using the risk-free interest rate for the term of the vesting period.
(b) Share-based payments are to be allocated and included in remuneration over the vesting period.
(c) Participants who are awarded shares under the GIS and the LTIP are entitled to a payment in lieu of dividends. The Dividend Equivalent Payment is equal to the amount that would have been earned over the retention or performance period and will be made on the transfer of shares to the participant.
(d) Includes medical insurance, life assurance related benefits and expenses where applicable.
(e) Includes professional fees, payout of unused leave entitlements, reimbursement of the value of forfeited options from previous employment, car allowance and relocation allowance and expenses where applicable.
(f) The Group pays premiums for Key Management Personnel's insurance, which insures the Key Management Personnel, 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.
(g) For Mr Kloppers and Mr Lynch, the total remuneration shown in the table is the remuneration paid or payable after their appointment as Executive Directors on 1 January 2006.
(h) For Messrs Randolph and Vanselow and Ms Wood, base salary, fees and allowances, non-monetary, other and retirement benefits is the actual remuneration paid and payable after their appointment as Key Management Personnel. The annual cash bonus, dividend equivalent payment value and share-based payments have been pro-rated to reflect the proportion of the year served as Key Management Personnel. Their total remuneration for the year is: Mr Randolph US$2,734,752, Mr Vanselow US$2,309,375 and Ms Wood US$1,732,127.
(i) Mr Yeager's other benefits includes reimbursement of the value of forfeited options from previous employment. Mr Yeager became a Key Management Personnel on joining the Group in April 2006.
(j) Of the total Share-based payments amount included in remuneration for Mr Goodyear for the year ended 30 June 2006, the proportion relating to options was US$155,741.

Year ended 30 June 2005:

	Short-term employee benefits					Post-employment benefits	Share-based payments (a) (b)		
Name	Base salary, fees and allowances US$	Annual cash bonus US$	Dividend equivalent payment value (c) US$	Non-monetary benefits (d)(i) US$	Other benefits (e) US$	Retirement benefits US$	Value of deferred shares US$	Share-based compensation long-term US$	Total US$
Don Argus	465,000	–	–	–	1,847	23,388	–	–	490,235
Charles Goodyear(f)	1,312,500	1,240,313	221,650	11,668	49,133	630,000	917,549	552,711	4,935,524
Mike Salamon	1,329,998	1,207,599	116,768	12,366	136,385	700,243	796,167	439,554	4,739,080
Marius Kloppers	864,532	815,409	87,915	1,719	155,866	357,244	548,830	294,075	3,125,590
Chris Lynch	792,855	719,278	84,302	–	24,268	275,121	520,745	291,075	2,707,644
David Brink	159,000	–	–	–	3,924	–	–	–	162,924
David Crawford	140,000	–	–	–	3,769	6,497	–	–	150,266
David Jenkins	142,000	–	–	–	–	–	–	–	142,000
John Schubert	115,000	–	–	–	1,651	5,199	–	–	121,850
John Buchanan	152,000	–	–	–	4,547	–	–	–	156,547
Carlos Cordeiro (h)	21,369	–	–	–	–	–	–	–	21,369
Michael Chaney (g)	103,000	–	–	–	87	4,421	–	–	107,508
Lord Renwick of Clifton	107,000	–	–	–	–	–	–	–	107,000
Philip Aiken	1,012,656	731,330	86,361	286,161	634,445	365,569	552,426	328,088	3,997,036
John Fast	707,053	651,832	73,686	–	–	253,832	481,135	259,287	2,426,825
Robert Kirkby	828,823	781,497	85,502	1,296	–	303,349	536,654	281,608	2,818,729
Total	8,252,786	6,147,258	756,184	313,210	1,015,922	2,924,863	4,353,506	2,446,398	26,210,127

(a) The amount in respect of share-based payments represents the estimated value of awards granted under the applicable schemes. For long-term share-based compensation fair values at grant date are independently determined using a Monte Carlo simulation model which takes into account Performance Hurdles, the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value of Deferred Shares is estimated at grant date by discounting the total value of the shares that will be issued in the future using the risk-free interest rate for the term of the vesting period.
(b) Share-based payments are to be allocated and included in remuneration over the vesting period.
(c) Participants who are awarded shares under the GIS and the LTIP are entitled to a payment in lieu of dividends. The Dividend Equivalent Payment is equal to the amount that would have been earned over the retention or performance period and will be made on the transfer of shares to the participant.
(d) Includes medical insurance, life assurance related benefits and expenses where applicable.
(e) Includes professional fees, payout of unused leave entitlements, car allowance and relocation allowance and expenses where applicable.
(f) Of the total share-based payments amount included in remuneration for Mr Goodyear for the year ended 30 June 2005, the proportion relating to options was US$345,217.
(g) Fees payable to Mr Chaney were paid to his employer Wesfarmers Limited during the year until 12 July 2005 when he retired from that company.
(h) Appointed 3 February 2005. Mr Cordeiro vacated his office on 3 April 2005 and was reappointed by the Board on 26 August 2005. During the period for which Mr Cordeiro did not hold office as a Director, he attended meetings by invitation. In addition to the fees disclosed in the table, Mr Cordeiro was paid US$27,542 during the period in which he was not a member of the Board.
(i) The Group pays premiums for Key Management Personnel's insurance, which insures the Key Management Personnel, 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.

Termination provisions associated with Key Management Personnel are detailed in note 40.

31 Key Management Personnel continued

Equity Instrument disclosures relating to Key Management Personnel

Charles Goodyear

BHP Billiton Limited ordinary shares under option
2006

Scheme	At 1 July 2005	Granted	Vested	Lapsed	At 30 June 2006	Exercise price (b) A$	First exercise date	Expiry date
GIS 2004 Options	180,613	–	–	–	180,613	15.39	August 2006	August 2008
GIS 2003 Options (c)	320,725	–	–	–	320,725	11.11	24 August 2005	23 August 2008
ESP 2000 (c)	722,785	–	–	–	722,785	7.60	3 April 2003	2 April 2010
ESP 1999 (c)	351,065	–	–	–	351,065	6.92	23 April 2002	22 April 2009
Total	1,575,188	–	–	–	1,575,188			

2005

Scheme	At 1 July 2004	Granted	Vested	Lapsed	At 30 June 2005	Exercise price (b) A$	First exercise date	Expiry date
GIS 2004 Options	–	180,613	–	–	180,613	15.39	August 2006	August 2008
GIS 2003 Options (c)	320,725	–	–	–	320,725	11.11	24 August 2005	23 August 2008
ESP 2000 (c)	722,785	–	–	–	722,785	7.60	3 April 2003	2 April 2010
ESP 1999 (c)	351,065	–	–	–	351,065	6.92	23 April 2002	22 April 2009
Total	1,394,575	180,613	–	–	1,575,188			

BHP Billiton Limited ordinary shares under award
2006

Scheme	At 1 July 2005	Granted (a)	Vested (d)	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	600,000	–	–	600,000	August 2010
LTIP 2004 Performance	500,000	–	–	–	500,000	August 2009
GIS 2005 Deferred	–	76,569	–	–	76,569	August 2007
GIS 2004 Deferred	44,601	–	–	–	44,601	August 2006
GIS 2003 Deferred (h)	28,093	–	28,093	–	–	24 August 2005
GIS 2003 Performance	112,375	–	–	–	112,375	August 2006
GIS 2002 Performance (i)	180,154	–	180,154	–	–	24 August 2005
Total	865,223	676,569	208,247	–	1,333,545	

2005

Scheme	At 1 July 2004	Granted (a)	Vested (d)	Lapsed	At 30 June 2005	Vesting date
LTIP 2004 Performance	–	500,000	–	–	500,000	August 2009
GIS 2004 Deferred	–	44,601	–	–	44,601	August 2006
GIS 2003 Deferred	28,093	–	–	–	28,093	24 August 2005
GIS 2003 Performance	112,375	–	–	–	112,375	August 2006
GIS 2002 Performance	180,154	–	–	–	180,154	24 August 2005
PSP 2001 (e)	136,573	–	122,916	13,657	–	1 October 2004
Total	457,195	544,601	122,916	13,657	865,223	

Mike Salamon

BHP Billiton Plc ordinary shares under award
2006

Scheme	At 1 July 2005	Granted (a)	Vested (d)	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	300,000	–	–	300,000	August 2010
LTIP 2004 Performance	300,000	–	–	–	300,000	August 2009
GIS 2005 Deferred	–	73,743	–	–	73,743	August 2007
GIS 2004 Deferred	80,151	–	–	–	80,151	August 2006
GIS 2003 Deferred (h)	89,056	–	89,056	–	–	24 August 2005
GIS 2003 Performance	89,056	–	–	–	89,056	August 2006
GIS 2002 Performance (i)	193,706	–	193,706	–	–	24 August 2005
CIP 2001 (j)	95,295 (k)	–	84,706	10,589	–	1 October 2005
Total	847,264	373,743	367,468	10,589	842,950	

2005

Scheme	At 1 July 2004	Granted (a)	Vested (d)	Lapsed	At 30 June 2005	Vesting date
LTIP 2004 Performance	–	300,000	–	–	300,000	August 2009
GIS 2004 Deferred	–	80,151	–	–	80,151	August 2006
GIS 2003 Deferred	89,056	–	–	–	89,056	24 August 2005
GIS 2003 Performance	89,056	–	–	–	89,056	August 2006
GIS 2002 Performance	193,706	–	–	–	193,706	24 August 2005
CIP 2001 (k)	95,295	–	–	–	95,295	1 October 2005
RSS 2001 (o)	198,163	–	178,347	19,816	–	8 October 2004
Total	665,276	380,151	178,347	19,816	847,264	

31 Key Management Personnel continued

Marius Kloppers

BHP Billiton Plc ordinary shares under award

2006

Scheme	At 1 July 2005	Granted [(a)]	Vested [(d)]	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	225,000	–	–	225,000	August 2010
LTIP 2004 Performance	225,000	–	–	–	225,000	August 2009
GIS 2005 Deferred	–	52,771	–	–	52,771	August 2007
GIS 2004 Deferred	60,548	–	–	–	60,548	August 2006
GIS 2003 Deferred [(h)]	55,378	–	55,378	–	–	24 August 2005
GIS 2003 Performance	55,378	–	–	–	55,378	August 2006
GIS 2002 Performance [(i)]	119,485	–	119,485	–	–	24 August 2005
CIP 2001 [(j)]	95,295 [(k)]	–	84,706	10,589	–	1 October 2005
Total	611,084	277,771	259,569	10,589	618,697	

2005

Scheme	At 1 July 2004	Granted [(a)]	Vested [(d)]	Lapsed	At 30 June 2005	Vesting date
LTIP 2004 Performance	–	225,000	–	–	225,000	August 2009
GIS 2004 Deferred	–	60,548	–	–	60,548	August 2006
GIS 2003 Deferred	55,378	–	–	–	55,378	24 August 2005
GIS 2003 Performance	55,378	–	–	–	55,378	August 2006
GIS 2002 Performance	119,485	–	–	–	119,485	24 August 2005
CIP 2001 [(r)] [(k)]	95,295	–	–	–	95,295	1 October 2005
RRS 2001 [(o)]	84,182	–	75,764	8,418	–	8 October 2004
Total	409,718	285,548	75,764	8,418	611,084	

Chris Lynch

BHP Billiton Limited ordinary shares under award

2006

Scheme	At 1 July 2005	Granted [(a)]	Vested [(d)]	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	225,000	–	–	225,000	August 2010
LTIP 2004 Performance	225,000	–	–	–	225,000	August 2009
GIS 2005 Deferred	–	43,670	–	–	43,670	August 2007
GIS 2004 Deferred	55,908	–	–	–	55,908	August 2006
GIS 2003 Deferred [(h)]	61,010	–	61,010	–	–	24 August 2005
GIS 2003 Performance	61,010	–	–	–	61,010	August 2006
GIS 2002 Performance [(i)]	117,117	–	117,117	–	–	24 August 2005
Total	520,045	268,670	178,127	–	610,588	

2005

Scheme	At 1 July 2004	Granted [(a)]	Vested [(d)]	Lapsed	At 30 June 2005	Vesting date
LTIP 2004 Performance	–	225,000	–	–	225,000	August 2009
GIS 2004 Deferred	–	55,908	–	–	55,908	August 2006
GIS 2003 Deferred [((h)]	61,010	–	–	–	61,010	24 August 2005
GIS 2003 Performance	61,010	–	–	–	61,010	August 2006
GIS 2002 Performance [(i)]	117,117	–	–	–	117,117	24 August 2005
PSP 2001 [(e)]	109,559	–	98,603	10,956	–	1 October 2004
PSP 2000 [(f)]	43,592	–	43,592	–	–	1 July 2004
BEP 2001 [(q)]	18,692	–	18,692	–	–	November 2004
Total	410,980	280,908	160,887	10,956	520,045	

Alex Vanselow

BHP Billiton Limited ordinary shares under award

2006

Scheme	At 1 July 2005 [(n)]	Granted [(a)]	Vested [(d)]	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	110,000	–	–	110,000	August 2010
LTIP 2004 Performance	110,000	–	–	–	110,000	August 2009
GIS 2005 Deferred	–	25,633	–	–	25,633	August 2007
GIS 2004 Deferred	27,347	–	–	–	27,347	August 2006
GIS 2003 Deferred [(h)]	13,859	–	13,859	–	–	24 August 2005
GIS 2003 Performance	13,859	–	–	–	13,859	August 2006
GIS 2002 Performance [(i)]	28,586	–	28,586	–	–	24 August 2005
Total	193,651	135,633	42,445	–	286,839	

31 Key Management Personnel continued

Philip Aiken

BHP Billiton Limited ordinary shares under award
2006

Scheme	At 1 July 2005	Granted (a)	Vested (d)	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	225,000	–	–	225,000	August 2010
LTIP 2004 Performance	225,000	–	–	–	225,000	August 2009
GIS 2005 Deferred	–	44,402	–	–	44,402	August 2007
GIS 2004 Deferred	58,553	–	–	–	58,553	August 2006
GIS 2003 Deferred (h)	69,815	–	69,815	–	–	24 August 2005
GIS 2003 Performance	69,815	–	–	–	69,815	August 2006
GIS 2002 Performance (i)	158,118	–	158,118	–	–	24 August 2005
Total	581,301	269,402	227,933	–	622,770	

2005

Scheme	At 1 July 2004	Granted (a)	Vested (d)	Lapsed	At 30 June 2005	Vesting date
LTIP 2004 Performance	–	225,000	–	–	225,000	August 2009
GIS 2004 Deferred	–	58,553	–	–	58,553	August 2006
GIS 2003 Deferred	69,815	–	–	–	69,815	24 August 2005
GIS 2003 Performance	69,815	–	–	–	69,815	August 2006
GIS 2002 Performance	158,118	–	–	–	158,118	24 August 2005
PSP 2001 (e)	131,856	–	118,670	13,186	–	1 October 2004
BEP 2001 (q)	77,404	–	77,404	–	–	November 2004
Total	507,008	283,553	196,074	13,186	581,301	

John Fast

BHP Billiton Limited ordinary shares under award
2006

Scheme	At 1 July 2005	Granted (a)	Vested (d)	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	175,000	–	–	175,000	August 2010
LTIP 2004 Performance	175,000	–	–	–	175,000	August 2009
GIS 2005 Deferred	–	39,575	–	–	39,575	August 2007
GIS 2004 Deferred	53,908	–	–	–	53,908	August 2006
GIS 2003 Deferred (h)	54,782	–	54,782	–	–	24 August 2005
GIS 2003 Performance	54,782	–	–	–	54,782	August 2006
GIS 2002 Performance (i)	115,921	–	115,921	–	–	24 August 2005
MTI (j)	36,155	–	32,136	4,019	–	1 October 2005
Total	490,548	214,575	202,839	4,019	498,265	

2005

Scheme	At 1 July 2004	Granted (a)	Vested (d)	Lapsed	At 30 June 2005	Vesting date
LTIP 2004 Performance	–	175,000	–	–	175,000	August 2009
GIS 2004 Deferred	–	53,908	–	–	53,908	August 2006
GIS 2003 Deferred	54,782	–	–	–	54,782	24 August 2005
GIS 2003 Performance	54,782	–	–	–	54,782	August 2006
GIS 2002 Performance	115,921	–	–	–	115,921	24 August 2005
MTI (p) (r)	36,155	–	–	–	36,155	1 October 2005
PSP 2001 (e)	107,093	–	96,384	10,709	–	1 October 2004
Total	368,733	228,908	96,384	10,709	490,548	

Marcus Randolph

BHP Billiton Limited ordinary shares under award
2006

Scheme	At 1 July 2005 (n)	Granted (a)	Vested (d)	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	110,000	–	–	110,000	August 2010
LTIP 2004 Performance	110,000	–	–	–	110,000	August 2009
GIS 2005 Deferred	–	32,199	–	–	32,199	August 2007
GIS 2004 Deferred	44,234	–	–	–	44,234	August 2006
GIS 2003 Deferred (h)	34,261	–	34,261	–	–	24 August 2005
GIS 2003 Performance	34,261	–	–	–	34,261	August 2006
GIS 2002 Performance (i)	90,436	–	90,436	–	–	24 August 2005
Total	313,192	142,199	124,697	–	330,694	

31 Key Management Personnel continued

Robert Kirkby

BHP Billiton Limited ordinary shares under award
2006

Scheme	At 1 July 2005	Granted (a)	Vested (d)	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	225,000	–	–	225,000	August 2010
LTIP 2004 Performance	225,000	–	–	–	225,000	August 2009
GIS 2005 Deferred	–	47,448	–	–	47,448	August 2007
GIS 2004 Deferred	57,450	–	–	–	57,450	August 2006
GIS 2003 Deferred (h)	58,031	–	58,031	–	–	24 August 2005
GIS 2003 Performance	58,031	–	–	–	58,031	August 2006
GIS 2002 Performance (i)	110,391	–	110,391	–	–	24 August 2005
MTI (j)	22,597	–	20,085	2,512	–	1 October 2005
Total	531,500	272,448	188,507	2,512	612,929	

2005

Scheme	At 1 July 2004	Granted (a)	Vested (d)	Lapsed	At 30 June 2005	Vesting date
LTIP 2004 Performance	–	225,000	–	–	225,000	August 2009
GIS 2004 Deferred	–	57,450	–	–	57,450	August 2006
GIS 2003 Deferred	58,031	–	–	–	58,031	24 August 2005
GIS 2003 Performance	58,031	–	–	–	58,031	August 2006
GIS 2002 Performance	110,391	–	–	–	110,391	24 August 2005
MTI (p) (r)	22,597	–	–	–	22,597	1 October 2005
PSP 2001 (e)	82,330	–	74,097	8,233	–	1 October 2004
Total	331,380	282,450	74,097	8,233	531,500	

Partly paid shares
2006

	BHP Billiton Limited Ordinary Shares under award					Unpaid amount (m)	First exercise date	Expiry date
	At 1 July 2005(l)	Granted	Exercised	Lapsed	At 30 June 2006			
ESS 1995	72,279	–	–	–	72,279	A$8.17	n/a	4 October 2015
ESS 1994	108,255	–	–	–	108,255	A$8.43	n/a	4 October 2014
Total	180,534	–	–	–	180,534			

2005

	BHP Billiton Limited Ordinary Shares under award					Unpaid amount (m)	First exercise date	Expiry date
	At 1 July 2004(l)	Granted	Exercised	Lapsed	At 30 June 2005			
ESS 1997	74,964	–	74,964 (g)	–	–	A$6.83	n/a	1 October 2017
ESS 1996	107,090	–	107,090 (g)	–	–	A$6.94	n/a	2 October 2016
ESS 1995	72,279	–	–	–	72,279	A$8.17	n/a	4 October 2015
ESS 1994	108,255	–	–	–	108,255	A$8.43	n/a	4 October 2014
Total	362,588	–	182,054	–	180,534			

Karen Wood

BHP Billiton Limited ordinary shares under award
2006

Scheme (e)	At 1 July 2005 (n)	Granted (a)	Vested (d)	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	80,000	–	–	80,000	August 2010
LTIP 2004 Performance	80,000	–	–	–	80,000	August 2009
GIS 2005 Deferred	–	20,462	–	–	20,462	August 2007
GIS 2004 Deferred	26,631	–	–	–	26,631	August 2006
GIS 2003 Deferred (h)	20,684	–	20,684	–	–	24 August 2005
GIS 2003 Performance	20,684	–	–	–	20,684	August 2006
GIS 2002 Performance (i)	42,219	–	42,219	–	–	24 August 2005
Total	190,218	100,462	62,903	–	227,777	

Mike Yeager

BHP Billiton Limited ordinary shares under award
2006

Scheme	At 1 July 2005	Granted (a)	Vested (d)	Lapsed	At 30 June 2006	Vesting date
LTIP 2005 Performance	–	325,000	–	–	325,000	August 2010
Total	–	325,000	–	–	325,000	

31 Key Management Personnel continued

(a) The market price of BHP Billiton Limited and BHP Billiton Plc shares on date of grant (5 December 2005) was A$22.03 and £8.90 respectively. The fair value per Performance Share and Deferred Share was A$6.21/£2.79 and A$18.83/£7.70 respectively. The market price of BHP Billiton Limited and BHP Billiton Plc shares on date of grant (3 December 2004) was A$15.28 and £5.91 respectively. The fair value per Option, Performance Share and Deferred Share was A$3.80, A$6.85/£2.63 and A$13.34/£5.31 respectively. Fair value per Option, Performance Share and Deferred Share was estimated using Black-Scholes, Monte Carlo simulation and Net Present Value models respectively.
(b) Represents the exercise price payable on options.
(c) All of the options issued pursuant to these awards are exercisable.
(d) All vested awards are exercisable.
(e) 90 per cent of the Performance Shares vested on 1 October 2004, following the end of the performance period and the BHP Billiton Limited market price was A$14.28. The remaining 10 per cent lapsed. The market price of BHP Billiton Limited shares on date of grant, 1 November 2001, was A$8.26. Mr Goodyear exercised 53,600 of the vested shares on 5 May 2005 when the market price was A$16.50 and 53,600 on 6 May 2005 when the market price was A$16.52. The aggregate gain was A$884,400 and A$885,472 respectively. As at 30 June 2006, Mr Goodyear has not yet exercised the remaining 15,716 vested shares. Mr Lynch has not yet exercised an award over 98,603 shares. Mr Fast has not yet exercised an award over 96,384 shares. Ms Wood has not yet exercised an award over 25,846 shares. Mr Aiken exercised an award over 118,670 shares on 7 October 2004 at a market price of A$14.94. The aggregate gain was A$1,772,930. Mr Kirkby exercised an award over 74,097 shares on 6 October 2004 at a market price of A$14.70. The aggregate gain was A$1,089,226.
(f) 100 per cent of the Performance Shares vested on 1 July 2004, following the end of the performance period and BHP Billiton Limited market price was A$12.51. The market price of BHP Billiton shares on date of grant, 1 November 2000, was A$8.55. As at 30 June 2006 Mr Lynch has not exercised an award over 43,592 shares.
(g) The market price on the date of exercise (8 October 2004) was A$14.82 per share. The aggregate gain was A$598,962 for ESS 1997 and A$843,869 for ESS 1996.
(h) 100 per cent of the Deferred Shares vested on 24 August 2005 at the end of the holding period. The BHP Billiton Limited and BHP Billiton Plc market prices were A$20.56 and £8.04 respectively. Mr Goodyear exercised an award over 28,093 shares on 2 September 2005 at a market price of A$20.83. The aggregate gain was A$585,177. Mr Salamon exercised an award over 48,981 shares on 26 August 2005 at a market price of £8.15; and 40,075 on 1 September 2005 at a market price of £8.465. The aggregate gains were £399,195 and £339,235 respectively. Mr Kloppers exercised an award over 55,378 shares on 1 September 2005 at a market price of £8.465. The aggregate gain was £468,775. Mr Lynch has not exercised an award over 61,010 shares as at 30 June 2006. Mr Vanselow exercised an award over 13,859 shares on 25 August 2005 at a market price of A$19.90. The aggregate gain was A$275,794. Mr Aiken exercised an award over 69,815 shares on 25 August 2005 at a market price of A$19.90. The aggregate gain was A$1,389,319. Mr Fast has not exercised any of the Deferred Shares as at 30 June 2006. Mr Randolph exercised an award over 34,261 shares on 29 August 2005 at a market price of A$20.03. The aggregate gain was A$686,248. Mr Kirkby exercised an award over 58,031 shares on 17 May 2006 at a market price of A$30.11. The aggregate gain was A$1,747,313. Ms Wood has not exercised any of the Deferred Shares as at 30 June 2006.
(i) The performance period ended on 30 June 2005. Based on the performance measured at the end of the performance period, 100 per cent of the Performance Shares vested on 24 August 2005. The BHP Billiton Limited and BHP Billiton Plc market prices were A$20.56 and £8.04 per share respectively. Mr Goodyear exercised an award over 180,154 shares on 2 September 2005 at a market price of A$20.83. The aggregate gain was A$3,752,608. Mr Salamon exercised an award over 106,538 shares on 26 August 2005 at a market price of £8.15; and 87,168 on 1 September 2005 at a market price of £8.465. The aggregate gains were £868,285 and £737,877 respectively. Mr Kloppers exercised an award over 119,485 shares on 1 September 2005 at a market price of £8.465. The aggregate gain was £1,011,440. Mr Lynch has not exercised an award over 117,117 shares as at 30 June 2006. Mr Vanselow exercised an award over 28,586 shares on 25 August 2005 at a market price of A$19.90. The aggregate gain was A$568,861. Mr Aiken exercised an award over 158,118 shares on 25 August 2005 at a market price of A$19.90. The aggregate gain was A$3,146,548. Mr Fast has not exercised any of his Performance Shares as at 30 June 2006. Mr Randolph exercised an award over 90,436 shares on 29 August 2005 at a market price of A$20.03. The aggregate gain was A$1,811,433. Mr Kirkby exercised an award over 110,391 shares on 17 May 2006 at a market price of A$30.11. The aggregate gain was A$3,323,873. Ms Wood has not exercised any of her Performance Shares as at 30 June 2006.
(j) The second performance period ended on 30 September 2005. The BHP Billiton Limited and BHP Billiton Plc market prices were A$22.25 and £9.16 per share respectively. Based on performance measured at the end of this performance period, 100 per cent out of a maximum 125 per cent matching shares vested. The remaining 25 per cent lapsed with immediate effect. Mr Kloppers exercised an award over 84,706 shares on 19 October 2005 at a market price of £7.855. The aggregate gain was £665,366. Mr Salamon exercised an award over 84,706 shares on 9 December 2005 at a market price of £8.94. The aggregate gain was £757,272. Mr Fast exercised an award over 32,136 shares on 14 October 2005 at a market price of A$19.98. The aggregate gain was A$642,077. Mr Kirkby exercised an award over 20,085 shares on 18 October 2005 at a market price of A$20.75. The aggregate gain was A$416,764.
(k) Includes 26,471 Committed Shares invested by each of Mr Salamon and Mr Kloppers.
(l) Includes accrued bonus shares to be issued upon conversion of partly paid shares.
(m) Represents the final call payable upon conversion of partly paid shares held at 30 June 2006, adjusted for bonus issues.
(n) Shares under award at date of appointment of Mr Vanselow, Mr Randolph and Ms Wood as a Key Management Personnel were 286,839, 188,495 and 227,777 respectively.
(o) 90 per cent of the shares vested on 1 October 2004, following the end of the performance period and the BHP Billiton Plc market price was £5.95 per share. The remaining 10 per cent lapsed. 178,347 and 75,764 shares were transferred to Mr Salamon and Mr Kloppers respectively on vesting. The market price on the date of transfer (8 October 2004) was £6.21. The aggregate gain for Mr Salamon and Mr Kloppers was £1,107,535 and £470,494 respectively.
(p) Includes 10,042 and 6,277 Committed Rights invested by Mr Fast and Mr Kirkby respectively.
(q) In November 2001, shares were allotted to BHP Billiton Ltd employees under the Bonus Equity Plan (BEP). The shares were held by the BHP Bonus Equity Plan Trust on behalf of the participants. The minimum restriction period was three years, ending on 12 November 2004. Mr Aiken and Mr Lynch instructed the trustee to transfer the shares to them on 24 November 2004 (market price A$14.98) and 23 December 2004 (market price A$15.42) respectively. The aggregate gain for Mr Aiken was A$1,159,512 and for Mr Lynch was A$288,231.
(r) The first performance period ceased on 30 September 2003. Messrs Fast, Kirkby and Kloppers did not elect to leave at the end of the first performance period.

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 Key Management Personnel under the employee share ownership plan, is set out in note 27 and note 40.

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 Key Management Personnel, including their personally-related entities is as follows:

BHP Billiton Limited shares[a]	Held at 1 July 2005 or at date of appointment as Key Management Personnel [i]	Purchases	Received on exercise of options or rights	Other	Held at 30 June 2006
Paul Anderson [b]	60,000	–	–	–	60,000
Don Argus [c]	203,495	74,700	–	–	278,195
Gail de Planque [d]	1,000	800	–	–	1,800
Charles Goodyear [e]	746,007	–	208,247	–	954,254
Carlos Cordeiro [d]	–	6,550	–	–	6,550
David Crawford [c]	29,127	–	–	–	29,127
David Jenkins	2,066	–	–	–	2,066
Chris Lynch	80,679	–	–	–	80,679
Jacques Nasser [d]	5,600	–	–	–	5,600
John Schubert	23,675	–	–	–	23,675
Philip Aiken	475,092	–	227,933	(158,118)	544,907
John Fast [g]	3,459	–	32,136	(32,000)	3,595
Robert Kirkby [h]	640,740	–	188,507	(163,020)	666,227
Marcus Randolph	198,794	–	–	(45,000)	153,794
Alex Vanselow	11,466	–	–	–	11,466
Karen Wood	11,753	–	–	–	11,753

31 Key Management Personnel continued

BHP Billiton Plc shares (a)	Held at 1 July 2005 or at date of appointment of Key Management Personnel (i)	Purchases	Received on exercise of options or rights	Other	Held at 30 June 2006
Charles Goodyear (e)	2,000	–	–	–	2,000
Mike Salamon (f)	1,082,324	–	367,468	(147,707)	1,302,085
David Brink (c)	39,377	10,623	–	–	50,000
John Buchanan	4,000	16,000	–	–	20,000
David Jenkins	10,000	–	–	–	10,000
Marius Kloppers	75,764	–	259,569	–	335,333

BHP Billiton Limited shares(a)	Held at 1 July 2004 or at date of appointment as of Key Management Personnel	Purchases	Received on exercise of options or rights	Other	Held at 30 June 2005
Don Argus (c)	203,495	–	–	–	203,495
Charles Goodyear (e)	638,807	–	107,200	–	746,007
Michael Chaney (i)	12,338	–	–	–	12,338
David Crawford (c)	29,127	–	–	–	29,127
David Jenkins	2,066	–	–	–	2,066
Chris Lynch	80,679	–	–	–	80,679
Lord Renwick of Clifton (i)	2,066	–	–	–	2,066
John Schubert	23,675	–	–	–	23,675
Philip Aiken	356,422	–	118,670	–	475,092
John Fast (g)	175,459	–	–	(172,000)	3,459
Robert Kirkby (h)	634,589	–	256,151	(250,000)	640,740

BHP Billiton Plc shares(a)	Held at 1 July 2004 or at date of appointment as Key Management Personnel	Purchases	Received on exercise of options or rights	Other	Held at 30 June 2005
Charles Goodyear (e)	2,000	–	–	–	2,000
Mike Salamon (f)	977,282	–	178,347	(73,305)	1,082,324
David Brink (c)	39,377	–	–	–	39,377
John Buchanan	1,000	3,000	–	–	4,000
David Jenkins	10,000	–	–	–	10,000
Lord Renwick of Clifton (i)	12,385	–	–	–	12,385
Marius Kloppers	–	–	75,764	–	75,764

(a) All interests are beneficial.
(b) 20,000 BHP Billiton Limited shares are held in the form of 10,000 American Depositary Shares.
(c) At 30 June 2006, all shares were held by nominees. At 30 June 2005, 16,000 shares for Mr Crawford were held by nominees.
(d) All BHP Billiton Limited shares are held in the form of American Depositary Shares: E G de Planque (900), C Cordeiro (3,275) and J Nasser (2,800) as at 30 June 2006.
(e) 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.
(f) At 30 June 2006, 1,280,236 shares were held by nominees (2005: 1,060,475 shares).
(g) At 30 June 2006 and 30 June 2005, 2,945 shares were held by nominees, including 929 in the form of endowment warrants.
(h) At 30 June 2006, 85,000 partly paid shares are held. Includes 2,066 shares held by spouse. At 30 June 2005, 85,000 partly paid shares are held and during the period a further 85,000 partly paid shares were paid in full and 97,054 bonus shares were allotted. The remaining 74,097 shares were received through the exercise of Performance Rights.
(i) The shares held at 30 June 2005 in respect of Mr Chaney and Lord Renwick of Clifton also represent their holding at the date of cessation as Key Management Personnel.

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 27 and note 40 for details of the employee share ownership plans referred to above.

Loans to Key Management Personnel and their related parties

Aggregates for Key Management Personnel

Year	Balance at start of the year (a) US$	Interest paid and payable US$	Interest not charged US$	Balance at year end US$	Number of persons included in group aggregate
2006	19,741	–	1,491	17,889	2
2005	10,755	–	1,296	10,975	1

(a) Balance at the start of year or at date of becoming Key Management Personnel.

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

Interest not charged represents the amount of interest that would have been charged on an arm's length basis. No write-downs or allowances for doubtful debts have been recognised in relation to any loans made to Key Management Personnel. There are no loans outstanding with former Key Management Personnel.

31 Key Management Personnel continued

Other transactions with Key Management Personnel

Transactions with personally-related entities

A number of Directors or former Directors of the Group 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 Mr Chaney. Mr Chaney was a director of Wesfarmers (Group) Limited during the period 1 July 2005 to 12 July 2005. During this period, Wesfarmers (Group) Limited provided products and services to the Group totalling US$1.047 million (2005: US$23.818 million) in accordance with normal commercial terms and conditions.

32 Notes to the consolidated cash flow statement

Cash and cash equivalents

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

	2006 US$M	2005 US$M
Reconciliation of cash		
Cash and cash equivalents comprise:		
Cash assets		
Cash	511	811
Short-term deposits	265	411
Total cash assets	776	1,222
Bank overdrafts – refer to note 19	(16)	(15)
Total cash and cash equivalents	760	1,207

Reconciliation of net cash provided by operating activities to net profit after taxation

	2006 US$M	2005 US$M
Profit after taxation	10,534	6,628
Non-cash income and expenses:		
Depreciation and amortisation expense	2,264	1,801
Income from jointly controlled entities less dividends received	(1,050)	(822)
Interest capitalised	(144)	(78)
Exploration and evaluation expense (excluding impairment)	561	351
Net gain on sale of non-current assets	(606)	(447)
Discounting on provisions and other liabilities	266	173
Impairment of property, plant and equipment, investments and intangibles	163	17
Employee share awards	61	53
Exchange differences on Group net debt	(8)	19
Gains on derivative assets and liabilities	(306)	–
Change in assets and liabilities net of effects from acquisitions and disposals of subsidiaries and exchange fluctuations:		
Increase in inventories	(407)	(319)
(Increase)/decrease in deferred charges	(44)	30
Increase in receivables	(507)	(570)
Increase in current tax payable	417	553
Decrease in deferred taxes	(586)	(489)
(Decrease)/increase in creditors	(72)	728
Increase/(decrease) in interest payable	58	(8)
(Decrease)/increase in other provisions and liabilities	(130)	746
Other movements	12	8
Net operating cash flows	10,476	8,374
Non-cash financing and investing activities		
Other:		
Employee Share Plan loan instalments (a)	2	2

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

32 Notes to the consolidated cash flow statement continued

Standby arrangements, unused credit facilities

	Facility available 2006 US$M	Used 2006 US$M	Unused 2006 US$M	Facility available 2005 US$M	Used 2005 US$M	Unused 2005 US$M
BHP Billiton Group						
Bank standby and support arrangements						
Revolving credit facilities	3,000	–	3,000	3,000	–	3,000
Acquisition finance facility	–	894	–	5,500	3,000	2,500
Overdraft facilities	62	16	46	62	15	47
Total financing facilities	3,062	910	3,046	8,562	3,015	5,547

(a) Details of major standby and support arrangements are as follows:

Revolving credit facility

This multi-currency revolving credit facility is available for general corporate purposes and matures in September 2009.

Acquisition finance facility

The acquisition finance facility was established in March 2005 for the acquisition of WMC Resources Ltd. The amount drawn down during the year ended 30 June 2006 under this facility has been repaid in July 2006. The acquisition finance facility cannot be redrawn.

Overdraft facilities

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

Acquisition of significant subsidiaries and operations

During the year ended 30 June 2005 the Group acquired WMC Resources Ltd. Refer to note 36.

Disposal of subsidiaries and operations

During the year the Group disposed of a number of subsidiaries and operations. These included:

- The Group's 50 per cent interest in the Wonderkop joint venture
- Zululand Anthracite Collieries operations
- The Group's interest in Green Canyon 10 and 60 oil fields in the Gulf of Mexico
- DMS Powders business
- Tintaya copper mine

In the prior year it included:

- Disposal of the Group's interest in the Laminaria and Corallina oil fields
- Disposal of the Group's economic interest in the majority of its South African chrome business and its interest in the Palmiet chrome business

The carrying value of assets and liabilities disposed and net profit recorded on all sales were as follows:

		2006 US$M	2005 US$M
Carrying amount of business units disposed			
Value of assets and liabilities of entities disposed:			
Cash and cash equivalents		5	90
Receivables (current)		7	108
Inventories (current)		63	78
Receivables (non-current)		–	88
Investments (non-current)		–	2
Property, plant and equipment		377	337
Intangible assets		–	49
Payables and interest bearing liabilities (current)		(39)	(154)
Provisions (current)		(54)	(22)
Payables and interest bearing liabilities (non-current)		13	(138)
Provisions (non-current)		(56)	(151)
Net identifiable assets		316	287
Net consideration received	- Cash	849	563
	- Deferred consideration	37	–
	- Deferred settlement of intercompany balance	(40)	–
Total net consideration received		847	563
Profit on disposal		530	276

33 Jointly controlled assets and operations

Interests in jointly controlled assets and operations

The principal jointly controlled assets and operations in which the BHP Billiton Group has an interest and which are proportionally included in the financial report are as follows:

Name	Country of operation	Principal activity	BHP Billiton Group's effective interest 2006 %	2005 %
Atlantis	US	Hydrocarbons exploration	44	44
Bass Strait	Australia	Hydrocarbons exploration and production	50	50
Boris	US	Hydrocarbons exploration and production	50	50
Bruce (a)	UK	Hydrocarbons exploration and production	16	16
Cascade (a)	US	Hydrocarbons exploration	50	50
Chinook (a)	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 (a)	UK	Hydrocarbons exploration and production	31.83	31.83
Liverpool Bay	UK	Hydrocarbons exploration and production	46.1	46.1
Mad Dog	US	Hydrocarbons exploration and production	23.9	23.9
Minerva	Australia	Hydrocarbons exploration and production	90	90
Neptune	US	Hydrocarbons exploration	35	35
North West Shelf	Australia	Hydrocarbons exploration and production	8-17	8-17
Ohanet	Algeria	Hydrocarbons exploration and production	45	45
Puma	US	Hydrocarbons exploration	33.3	33.3
ROD Integrated Development	Algeria	Hydrocarbons exploration and production	45	45
Shenzi	US	Hydrocarbons exploration	44	44
Trinidad 2c – Angostura	Trinidad and Tobago	Hydrocarbons production	45	45
Typhoon	US	Hydrocarbons exploration and production	50	50
Zamzama	Pakistan	Hydrocarbons exploration and production	38.5	38.5
Alumar	Brazil	- Alumina refining	36	36
		- Aluminium smelting	40	46.3
Billiton Suriname	Suriname	Bauxite mining and alumina refining	45	45
Worsley	Australia	Bauxite mining and alumina refining	86	86
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
Middleburg Mine	South Africa	Coal mining	84	84
Richards Bay Coal Terminal	South Africa	Coal exporting	37.4	37.4

Elements of the financial report relating to jointly controlled assets and operations comprise:

	2006 (a) US$M	2005 US$M
Current assets		
Cash and cash equivalents	45	30
Trade and other receivables	602	433
Inventories	780	677
Other	53	31
Non-current assets		
Trade and other receivables	27	26
Other financial assets	144	17
Inventories	13	10
Property, plant and equipment	12,880	10,904
Other	22	20
BHP Billiton Group share of assets employed in jointly controlled assets	14,566	12,148
Contingent liabilities – unsecured (b)	22	21
Contracts for capital expenditure commitments not completed (c)	1,909	905

(a) Cascade and Chinook oil and gas prospects and Bruce and Keith oil fields are presented as held for sale following the completion of a divestment review by the Group. Refer to note 14.
(b) Included in contingent liabilities arising from jointly controlled assets. Refer to note 29.
(c) Included in capital expenditure commitments. Refer to note 30.

34 Related party transactions

(a) Subsidiaries
The percentage of ordinary shares in significant subsidiaries is disclosed in note 37 to the financial statements.

(b) Jointly controlled entities
The percentage of ordinary shares in jointly controlled entities is disclosed in note 15 to the financial statements.

(c) Jointly controlled assets and operations
The percentage of ordinary shares in jointly controlled assets and operations is disclosed in note 33 to the financial statements.

(d) Key management personnel
Disclosures relating to key management personnel are set out in note 31 to the financial statements.

(e) Transactions with related parties

Transactions between each parent company and its subsidiaries, which are related parties of that company, have been eliminated on consolidation and are not disclosed in this note.

	Jointly controlled entities		Jointly controlled assets and operations		Transactions with other related parties (i)	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Sales of goods/services	23.605	60.080	–	–	–	–
Purchase of goods/services	247.880	182.211	–	–	–	–
Interest income	2.129	11.889	–	–	–	–
Interest expense	–	–	–	–	–	–
Dividend income	2,643.515	965.318	–	–	0.208	0.224

(i) Excludes disclosures relating to post-employment benefit plans for the benefit of the employees. These are shown in note 22.

(f) Outstanding balances arising from sales/purchases of goods and services with related parties

	Jointly controlled entities		Jointly controlled assets and operations		Transactions with other related parties	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Amounts owing to related parties	134.975	61.938	–	–	–	–
Amounts owing from related parties	1.144	86.129	–	–	–	–

(g) Terms and conditions

Sales to and purchases from related parties for goods and services are made in arms length transactions at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured and settlement occurs in cash.

No guarantees are provided or received for any related party receivables or payables.

No provision for doubtful debts has been recognised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

35 Subsequent events

Subsequent to 30 June 2006, the sale of BHP Billiton's 45.5 per cent joint venture interest in Valesul Aluminio SA, an aluminium smelter, the sale of Southern Cross Fertiliser Pty Ltd, a fertiliser mining and processing business, the sale of Cascade and Chinook oil and gas prospects, and the sale of the Coal Bed Methane assets have been finalised. These assets are classified as held for sale as at 30 June 2006. The financial effects of these transactions have not been brought to account at 30 June 2006.

36 Acquired operations

During the prior year ended 30 June 2005 the BHP Billiton Group obtained control of WMC Resources Ltd (WMC). WMC was acquired on 3 June 2005 for a total cash consideration of US$7,178 million made up of a price of A$7.85 per share plus acquisition related costs. Payment for 100 per cent ownership was completed on 2 August 2005.

WMC was one of Australia's leading resources companies. The major assets acquired were:

- the Olympic Dam copper/uranium/gold mine and related treatment plants located in South Australia
- an integrated nickel mining, refining and smelting business with operations in Western Australia
- the Corridor Sands mineral sands project in Mozambique
- the Queensland Fertiliser Operations (QFO) which consists of an integrated phosphate mine and ammonium phosphate fertiliser production facility. Following a strategic review, this business has been sold subsequent to 30 June 2006.

The net operating assets acquired have primarily been allocated to the Base Metals, Stainless Steel Materials and Diamonds and Specialty Products business segments.

The following table details the book values of the WMC assets and liabilities acquired and the fair values allocated to these assets and liabilities. Due to the complexity and timing of the acquisition, the fair values of the assets and liabilities acquired which were reported at 30 June 2005 were provisional and were subject to review during the year ended 30 June 2006. In accordance with IFRS 3/AASB 3 'Business Combinations' the provisional price allocations in the Group's consolidated balance sheet for the year ended 30 June 2005 have been revised to reflect the final fair values at acquisition. Due to the timing of the acquisition there was no profit impact of this revision in the comparative financial year ended 30 June 2005.

	Book values [a] US$M	Preliminary adjustments for acquisition accounting [b] US$M	Provisional fair value at acquisition [c] US$M	Further adjustments for acquisition accounting [d] US$M	Fair values at acquisition US$M
Cash and cash equivalents	396	–	396	–	396
Trade and other receivables	444	(163)	281	3	284
Inventories	520	95	615	52	667
Property, plant and equipment	4,428	2,744	7,172	327	7,499
Other assets (including intangibles)	116	(8)	108	(41)	67
Trade and other payables	(480)	114	(366)	1	(365)
Interest bearing liabilities	(700)	(37)	(737)	(3)	(740)
Provisions	(152)	(81)	(233)	(127)	(360)
Current and deferred tax balances	(119)	115	(4)	23	19
Other liabilities	(479)	476	(3)	(483)	(486)
Net assets acquired	3,974	3,255	7,229	(248)	6,981
Cost of business combination [e]			7,229	(51)	7,178
Goodwill [f]			–	197	197

	US$M
The total cost of acquisition is satisfied by the following consideration:	
Cash paid	7,093
Cash payable	85
Total	7,178

36 Acquired operations continued

(a) Represent book values prepared in accordance with the accounting policies applicable to WMC for the period prior to acquisition by BHP Billiton.

(b) The material provisional adjustments for acquisition accounting principally relate to:

- Property, plant and equipment, reflecting the fair value of mineral assets, and the revaluation of property, plant and equipment (representing replacement cost and estimated remaining useful lives).
- Investments have been revalued to reflect current market values.
- Inventories have been revalued to net realisable value.
- Receivables and payables have been revalued to reflect the expected timing and amount of settlements. External fixed rate debt and derivative financial instruments have been revalued to reflect current market terms. Deferred gains and losses relating to commodity price and foreign currency hedging arrangements have been de-recognised.
- Provisions include the recognition of accumulated unfunded pension liabilities.
- Deferred tax asset and liability balances have been adjusted to take into account fair values for book purposes and resetting of tax bases as a result of the acquisition, where applicable.
- Decommissioning, site restoration and environmental rehabilitation provisions are measured at the present value of estimated future costs of rehabilitation.
- Adoption of BHP Billiton's accounting policy for mined ore stocks held underground which are not recorded as inventory until the ore is brought above ground. Accordingly, underground stocks held by WMC at the date of acquisition have been adjusted to a value of US$nil.
- Adopting the US dollar as the functional currency for the majority of WMC's operations. The provisional fair values for non-monetary items in US dollars included in the table above represent the acquisition historical rate for BHP Billiton.

(c) These amounts differ to the amounts included in the IFRS balance sheet as presented in the note on the impact of adopting IFRS in the financial statements for the year ended 30 June 2005. This follows resolution of the treatment of deferred tax on mineral rights. Refer to note 38.

(d) The fair values of the assets and liabilities acquired have been finalised during the 12 months post acquisition. This has resulted in updates to a number of the provisional fair values reported at 30 June 2005. The main adjustments relate to:

- Fair values of inventories and other assets acquired have been updated following review.
- Valuations of property, plant and equipment were finalised resulting in an increase to the value allocated to property, plant and equipment to reflect the finalisation of replacement costs and estimated remaining useful lives, in particular in relation to the Olympic Dam operations. The fair value of mineral assets has increased to reflect the updated estimates of the values of the assets and liabilities of the businesses acquired. In addition, the refinement and validation of the detailed valuation models has led to a decrease in the mineral asset value for the Nickel West operations and an increase for the Olympic Dam operations.
- Provisions have increased following a review of the level of provisioning, in particular in relation to site restoration and environmental rehabilitation provisions, offset by decreased provisions relating to transaction related costs.
- Net deferred tax liabilities have decreased following the increase in provisions and other liabilities, and a reduction in the estimated temporary difference arising from the resetting of tax bases resulting from the acquisition.
- Other liabilities have increased for the fair value of fixed price uranium sales contracts with contract prices below market prices at the date of acquisition. For presentation purposes, these amounts are classified as deferred income as the amount will be released to revenue as the contracts are fulfilled.

(e) The overall cost of the acquisition has reduced due to the finalisation of the estimates of acquisition related costs.

(f) Goodwill represents the excess purchase consideration over the fair value of the identifiable net assets acquired. It represents assets that do not meet the recognition criteria and synergies that are expected to be achieved.

Pro-forma financial information

The following table summarises the pro-forma consolidated results of operations of the BHP Billiton Group for the year ended 30 June 2005 assuming that the acquisition of WMC occurred as of 1 July 2004. WMC's statutory year end was 31 December. The pro-forma financial information uses WMC data for the months corresponding to BHP Billiton Group's 30 June year end. This pro-forma financial information does not necessarily represent what would have occurred if the transaction had taken place on the dates presented and should not be taken as representative of the BHP Billiton Group's future consolidated results of operations or financial position. The pro-forma information does not include all costs related to the integration of WMC into the BHP Billiton Group, nor does it reflect the potential synergies which we expect to realise.

Year ended 30 June 2005	BHP Billiton	Pro-forma adjustments for WMC	Pro-forma consolidated entity
Group revenue (US$M)	26,722	2,730	29,452
Profit after taxation (US$M)	6,628	399	7,027
Earnings per share			
Basic earnings per share (US cents)	104.4	0.1	104.5
Diluted earnings per share (US cents)	104.0	0.1	104.1
Basic earnings per ADS (US cents) [a]	208.8	0.1	208.9
Diluted earnings per ADS (US cents) [a]	208.0	0.1	208.1

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

The pro-forma amounts represent the historical operating results of WMC, reported in accordance with WMC's pre-acquisition accounting policies. Adjustments have been made to depreciation and amortisation, interest expense and income taxes to give effect to the acquisition at the dates presented. Non-recurring items have been excluded from the WMC reported pro-forma results of operations.

Australian dollar amounts have been converted to US dollars based on a convenience translation using an average rate of A$1 = US$0.7528. The pro-forma adjustments are based on the US dollar purchase price and subsequent allocation of purchase price as at 3 June 2005 and have not been retranslated as at the pro-forma acquisition date noted above.

36 Acquired operations continued

Pro-forma adjustments have been made to depreciation and amortisation to reflect the increased charge arising from the allocation of the purchase price to property, plant and equipment and acquired mining rights and to interest expense to reflect the additional borrowings required to fund the acquisition. No pro-forma adjustment has been made to reflect the earnings impact of recognising hedging and financial instruments at their fair value as if the acquisition had occurred on the dates noted above.

37 Subsidiaries

Significant subsidiaries of BHP Billiton Limited and BHP Billiton Plc are as follows:

			BHP Billiton Group's effective interest	
Name	Country of incorporation	Principal activity	2006 %	2005 %
BHP Billiton Diamonds Inc	Canada	Diamond mining	100	100
BHP Billiton Finance BV	Netherlands	Finance	100	100
BHP Billiton Finance Ltd	Australia	Finance	100	100
BHP Billiton Finance (USA) Ltd [(a)]	Australia	Finance	100	100
BHP Billiton Freight Pty Ltd	Australia	Transport services	100	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	100	100
BHP Billiton Marine and General Insurances Pty Ltd	Australia	Insurance company	100	100
BHP Billiton Marketing AG	Switzerland	Marketing and trading	100	100
BHP Billiton Marketing Inc	US	Marketing and trading	100	100
BHP Billiton Metais SA	Brazil	Alumina refining and aluminium smelting	100	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore mining, silver, lead and zinc mining	100	100
BHP Billiton Nickel West Pty Ltd (formerly WMC Resources Ltd)	Australia	Nickel mining, smelting and refining and administrative services	100	100
BHP Billiton Olympic Dam Corporation Pty Ltd (formerly WMC (Olympic Dam Corporation) Pty Ltd)	Australia	Copper and uranium mining	100	100
BHP Billiton Petroleum (Americas) Inc	US	Hydrocarbons exploration and production	100	100
BHP Billiton Petroleum (Australia) Pty Ltd	Australia	Hydrocarbons production	100	100
BHP Billiton Petroleum (Bass Strait) Pty Ltd	Australia	Hydrocarbons production	100	100
BHP Billiton Petroleum (Deepwater) Inc	US	Hydrocarbons exploration, development and production	100	100
BHP Billiton Petroleum (GOM) Inc	US	Hydrocarbons exploration	100	100
BHP Billiton Petroleum (North West Shelf) Pty Ltd	Australia	Hydrocarbons production	100	100
BHP Billiton Petroleum Great Britain Ltd	UK	Hydrocarbons production	100	100
BHP Billiton Petroleum (International Exploration) Pty Ltd	Australia	Hydrocarbons development and production	100	100
BHP Billiton Petroleum (Victoria) Pty Ltd	Australia	Hydrocarbons development	100	100
BHP Billiton SA Limited	South Africa	Holding and service company	100	100
BHP Billiton SSM Development Pty Ltd	Australia	Holding company	100	100
BHP Billiton Tintaya SA	Peru	Copper mining	–	99.95
BHP Billiton (Trinidad - 2c) Ltd	Canada	Hydrocarbons development	100	100
BHP Billiton World Exploration Inc	Canada	Exploration	100	100
BHP Canadian Diamonds Company	Canada	Diamond mining	100	100
BHP Coal Pty Ltd	Australia	Holding company and coal mining	100	100
BHP Copper Inc	US	Holding company and copper mining	100	100
BHP Financial Services (UK) Ltd	UK	Finance	100	100
BHP Minerals Exploration Inc	US	Holding company	100	100
BHP Mitsui Coal Pty Ltd	Australia	Holding company and coal mining	80	80
BHP Navajo Coal Company	US	Coal mining	100	100
BHP Operations Inc	US	Finance	100	100
BHP Petroleum (Pakistan) Pty Ltd	Australia	Hydrocarbons production	100	100
BHP Queensland Coal Investments Pty Ltd	Australia	Holding company and coal mining	100	100
Billiton Aluminium Australia Pty Ltd	Australia	Bauxite mining and alumina refining	100	100
Billiton Aluminium SA Limited	South Africa	Aluminium smelting	100	100
Billiton Coal Australia Pty Ltd	Australia	Coal mining	100	100
Billiton Marketing Holding BV	Netherlands	Marketing and trading	100	100
Billiton Nickel (Ravensthorpe) Pty Ltd	Australia	Holding 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

37 Subsidiaries continued

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 2006 %	2005 %
Compania Minera Riochilex SA	Chile	Copper exploration	100	100
Corridor Sands Limitada	Mozambique	Titanium mineral sands	90	90
Dendrobium Coal Pty Ltd	Australia	Coal mining	100	100
Dia Met Minerals Ltd	Canada	Diamond mining	100	100
Endeavour Coal Pty Ltd	Australia	Coal mining	100	100
Groote Eylandt Mining Co Pty Ltd	Australia	Manganese mining	60	60
Illawarra Coal Holdings Pty Ltd	Australia	Coal mining	100	100
Ingwe Collieries Limited	South Africa	Coal mining	100	100
QNI Pty Ltd	Australia	Holding company	100	100
QNI Metals Pty Ltd	Australia	Nickel refining	100	100
QNI Resources Pty Ltd	Australia	Nickel refining	100	100
QNI Western Australia Pty Ltd	Australia	Holding company	100	100
Ravensthorpe Nickel Operations Pty Ltd	Australia	Nickel mining	100	100
Rio Algom Ltd	Canada	Holding company	100	100
Samancor AG	Switzerland	Marketing	60	60
Samancor Limited	South Africa	Manganese mining	–	60
Samancor Manganese Pty Ltd	South Africa	Manganese mining and manganese alloys	60	60
San Juan Coal Company	US	Coal mining	100	100
San Juan Transportation Company	US	Coal transportation	100	100
Southern Cross Fertiliser Pty Ltd (formerly WMC Fertilizers Pty Ltd) [(b)]	Australia	Fertiliser production	100	100
Tasmanian Electro Metallurgical Co Pty Ltd	Australia	Manganese alloys	60	60
UMAL Consolidated Pty Ltd	Australia	Holding company and coal mining	100	100
WMC Finance Ltd	Australia	Finance	100	100
WMC Finance (USA) Ltd	Australia	Finance	100	100

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

(b) Southern Cross Fertiliser Pty Ltd (formerly WMC Fertilizers Pty Ltd) is presented as held for sale following the completion of a divestment review by the Group. Refer to note 14.

38 Transition to International Financial Reporting Standards

The accounting policies set out in this financial report have been applied for the years ended 30 June 2006 and 2005, and in the preparation of an opening IFRS balance sheet at 1 July 2004.

In preparing its opening IFRS balance sheet, the BHP Billiton Group has adjusted amounts reported previously in financial reports prepared in accordance with its previous basis of accounting (previous GAAP). An explanation of how the transition from previous UK and Australian GAAP to IFRS has affected the Group's financial position and financial performance is set out in the following tables and accompanying notes. Because of the DLC structure, the preparation of IFRS financial statements for the BHP Billiton Group requires transition from the two predecessor GAAPs for BHP Billiton Limited (which reported under Australian GAAP) and BHP Billiton Plc (which reported under UK GAAP). Where necessary, Australian GAAP has been chosen as the reference predecessor GAAP from which to base transition adjustments.

The amounts presented below differ to the amounts presented in the note on the impact of adopting IFRS in the financial statements for the year ended 30 June 2005. This follows resolution of the treatment of two items identified in that note as being subject to interpretation and revision. The amounts in the tables below are presented based on the application of the revised interpretation from the date of transition to IFRS:

- Royalties and resource rent taxes which are in the nature of an income tax are now measured and presented as income tax in accordance with IAS 12/AASB 112 'Income Taxes' deferred tax principles. At 30 June 2005 these were accounted for as operating costs; and
- Deferred tax liabilities are no longer recorded on non-tax depreciable assets, such as mineral rights, where a tax base exists for capital gains tax, and that tax base exceeds the book base. At 30 June 2005, a deferred tax liability was recorded by reference to the tax base for income tax purposes.

The following table presents a summary of the impact of IFRS on net equity as at 30 June 2005 and 1 July 2004.

Reconciliation of net equity

		UK GAAP		Australian GAAP	
	Note	As at 30 June 2005 US$M	As at 1 July 2004 US$M	As at 30 June 2005 US$M	As at 1 July 2004 US$M
Net equity as previously reported under UK and Australian GAAP		17,489	14,380	18,364	15,425
IAS 19/AASB 119 Post-retirement pension obligations – pre tax	(A)	(650)	(527)	(650)	(527)
IAS 19/AASB 119 Post-retirement pension obligations – deferred tax effect	(A)	158	135	158	135
IAS 19/AASB 119 Post-retirement medical benefits – pre tax	(A)	(111)	(76)	(111)	(76)
IAS 19/AASB 119 Post-retirement medical benefits – deferred tax effect	(A)	30	21	30	21
IAS 12/AASB 112 Deferred income tax accounting	(B)	(226)	(202)	36	(267)
IAS 12/AASB 112 Remeasurement of royalties as income taxes	(B)	32	30	32	30
IFRS 3/AASB 3 Reinstatement of goodwill	(C)	354	388	41	–
IAS 10/AASB 110 Reversal of dividend payable	(D)	878	592	–	–
IFRS 2/AASB 2 Equity-based compensation payments to employees – tax effect	(E)	16	2	16	2
IFRS 3/AASB 3 Business combinations – WMC acquisition	(C)	(54)	–	–	–
Net equity in accordance with IFRS		17,916	14,743	17,916	14,743
Overall net increase/(decrease) in equity under IFRS		427	363	(448)	(682)

38 Transition to International Financial Reporting Standards continued

The following table presents a summary of the impact of IFRS on investments in jointly controlled entities as at 30 June 2005 and 1 July 2004.

Reconciliation of investments in jointly controlled entities – UK and Australian GAAP

	Note	As at 30 June 2005 US$M	As at 1 July 2004 US$M
Investments in jointly controlled entities as previously reported under UK and Australian GAAP		1,525	1,369
Impact on investments in jointly controlled entities of adjustments to reclassify assets and liabilities previously accounted for by proportional consolidation:			
Current assets		623	507
Non-current assets		2,687	2,425
Current liabilities		(374)	(505)
Non-current liabilities		(1,184)	(1,196)
Increase in investments in jointly controlled entities in applying the equity method of accounting	(F)	1,752	1,231
Other IFRS and acquisition accounting adjustments		(23)	(7)
Investments in jointly controlled entities in accordance with IFRS		3,254	2,593

The following table present a summary of the impact of IFRS on profit after taxation for the year ended 30 June 2005.

Reconciliation of profit after taxation

	Note	UK GAAP Year ended 30 June 2005 US$M	Australian GAAP Year ended 30 June 2005 US$M
Profit after taxation as previously reported under UK and Australian GAAP		6,630	6,241
Pre-tax IFRS adjustments:			
IAS 19/AASB 119 Post-retirement medical and pension obligations	(A)	(8)	(8)
IAS 12/AASB 112 Deferred tax effects within jointly controlled entities	(B)	(6)	(6)
IFRS 3/AASB 3 Reversal of amortisation of goodwill	(C)	2	44
Adjustment to goodwill included in the net book value of the disposed chrome operations	(C)	31	(3)
IFRS 2/AASB 2 Equity based compensation payments to employees	(E)	56	56
IFRS 3/AASB 3 Business combinations – WMC acquisition	(C)	(54)	–
IAS 31/AASB 131 Reclassification of jointly controlled entity tax expense to profit before tax – previously equity accounted	(F)	(197)	–
IAS 31/AASB 131 Reclassification of jointly controlled entity tax expense to profit before tax – previously proportionately consolidated	(F)	(230)	(230)
IAS 12/AASB 112 Deferred tax on the disposed chrome operations	(B)	3	3
IAS 12/AASB 112 Reclassification of royalties which are accounted for as income taxes	(G)	603	603
Other		(1)	–
Tax IFRS adjustments:			
IAS 12/AASB 112 Recognition of prior year tax losses	(B)	–	350
IAS 12/AASB 112 Withholding and repatriation taxes	(B)	(10)	(10)
IAS 12/AASB 112 Additional foreign exchange variations	(B)	(40)	(46)
IAS 12/AASB 112 Non-tax depreciable items now tax-effected	(B)	31	31
IAS 12/AASB 112 Tax base resets under Australian tax consolidations	(B)	17	–
IFRS 2/AASB 2 Equity-based compensation payments to employees	(E)	(12)	(12)
IAS 31/AASB 131 Reclassification of jointly controlled entity tax expense to profit before tax – previously equity accounted	(F)	197	–
IAS 31/AASB 131 Reclassification of jointly controlled entity tax expense to profit before tax – previously proportionately consolidated	(F)	230	230
IAS 19/AASB 119 Post-retirement medical and pension benefits – tax impact	(A)	3	3
IAS 12/AASB 112 Reclassification of royalties which are accounted for as income taxes	(G)	(603)	(603)
IAS 12/AASB 112 Remeasurement of royalties as income taxes	(G)	2	2
Other		(16)	(17)
Profit after taxation in accordance with IFRS		6,628	6,628

38 Transition to International Financial Reporting Standards continued

(A) Post-retirement and medical benefits (IAS 19/AASB 119 'Employee Benefits')

Under IFRS, defined benefit pension plan and medical benefit plan arrangements result in the recognition of net assets or liabilities directly based on the underlying obligations and assets of those plans. The recognised net asset or liability is subject to changes in value that are more volatile than changes in assets and liabilities that were recognised under the BHP Billiton Group's previous policy, which was based on the UK Statement of Accounting Practice (SSAP) 24 'Accounting for Pension Costs'.

Under SSAP 24, the cost of providing pensions was charged to profit and loss so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice. A pension liability or asset was consequently recognised in the balance sheet to the extent that the contributions payable either lagged or preceded expense recognition.

(B) Deferred tax (IAS 12/AASB 112 'Income Taxes')

On transition to IFRS, the balance sheet liability method of tax effect accounting was adopted, rather than the income statement liability method applied under previous BHP Billiton Group policy. This balance sheet method recognises deferred tax assets and liabilities on temporary differences between the accounting and tax values of balance sheet items, rather than accounting and tax values of items recognised in profit and loss. This approach gives rise to a wider range of deferred tax assets and liabilities and an increase in the volatility of deferred tax balances brought about by foreign exchange rate movements. IFRS requires deferred tax to be recognised on items which do not have a tax base, such as certain mineral rights and fair value adjustments on acquisitions, and for tax on unremitted earnings from subsidiaries and joint ventures except to the extent that the group can control the timing of distributions and those distributions are not probable in the foreseeable future. In addition, royalty arrangements which are in the nature of income tax have been measured and presented as income tax in accordance with IAS 12/AASB 112 deferred tax accounting principles. The impact on deferred tax balances of adopting IAS 12 / AASB 112, other than the tax effect of other IFRS adjustments, is as follows:

	UK GAAP to IFRS		Australian GAAP to IFRS	
	30 June 2005	1 Jul 2004	30 June 2005	1 Jul 2004
	Tax asset / (provision) US$M	Tax asset / (provision) US$M	Tax asset / (provision) US$M	Tax asset / (provision) US$M
Deferred tax on non depreciable assets acquired in business combinations	(309)	(321)	(309)	(321)
Tax base resets under Australian tax consolidations	188	165	–	–
Foreign exchange movements – tax base of non-monetary assets	434	216	434	216
Foreign exchange movements – US dollar debt	(516)	(255)	(516)	(255)
Withholding taxes	(10)	–	(10)	–
Adoption of IAS 12 to jointly controlled entities	(13)	(7)	(13)	(7)
Remeasurement of royalties as income taxes	32	30	32	30
Recognition of tax losses	–	–	450	100
(Increase)/decrease in net deferred tax liability	(194)	(172)	68	(237)

(C) Goodwill and business combinations (IFRS 3/AASB 3 'Business Combinations')

IFRS requires impairment assessments of goodwill, whereas both previous UK and Australian GAAP permitted/required the amortisation of goodwill. Business combinations undertaken after the date of transition to IFRS (1 July 2004) must be accounted for in accordance with IFRS. The acquisition of WMC Resources Ltd was effective 3 June 2005. Differences in accounting for the acquisition exist between UK GAAP and IFRS with respect to the measurement of fair value of inventory and the recognition of deferred tax liabilities, and between Australian GAAP and IFRS with respect to deferred tax assets attributable to unused tax losses.

Under previous UK GAAP goodwill existing prior to 1998 was classified as a reduction of retained earnings. In order to maintain consistency in the IFRS treatment of goodwill in the DLC structure, such goodwill has been reclassified on transition as an asset in the balance sheet in accordance with previous GAAP. The reclassification of goodwill was required because the IFRS accounting for past business combinations is determined from the previous basis of accounting applied by the Group under previous Australian GAAP, which has been chosen as the reference predecessor GAAP for these purposes.

(D) Dividend payable (IAS 10/AASB 110 'Events after the Balance Sheet Date')

IFRS does not permit the recognition of dividends payable as a liability until the dividend has been formally declared by the Directors. Under previous UK GAAP, dividends payable were recognised as a liability in the balance sheet at the balance sheet date, despite the fact they were declared subsequent to the balance sheet date.

(E) Equity based compensation (IFRS 2/AASB 2 'Share-based Payment')

Under IFRS the cost of employee compensation provided in the form of equity-based compensation (including shares and options) is measured based on the fair value of those instruments rather than their intrinsic value as recognised under previous BHP Billiton Group policy. In addition, the change in the tax base over time is reflected in equity.

(F) Joint ventures (IAS 31/AASB 131 'Interests in Joint Ventures')

Under IFRS as implemented in Australia, all joint ventures that are constituted as a legal entity are accounted for using the equity method. Under both previous UK and Australian GAAP, the BHP Billiton Group's interests in the Escondida, Mozal and Valesul joint ventures were accounted for by proportional consolidation. As each of these joint ventures operates through an incorporated entity, IFRS classifies them as jointly controlled entities and the Australian version of IFRS mandates the use of the equity method of accounting, notwithstanding that in substance none of the entities operate as independent business entities. The change to single line equity accounting for jointly controlled entities does not impact net profit or net equity, however, as demonstrated in the schedules above, the amounts of profit before tax, income tax expense, investments in jointly controlled entities and other balance sheet and income statement line items are significantly affected.

(G) Royalty related taxation (IAS 12/AASB 112 'Income Taxes')

Under IFRS, royalties and resource rent taxes are treated as taxation arrangements when they have the characteristics of a tax. For such arrangements, current and deferred tax is provided on the same basis as for other forms of taxation. Under previous UK and Australian GAAP, such taxes were included in operating costs, and in some cases, were not calculated in accordance with deferred tax principles.

Material adjustments to cash flow

The use of the equity method of accounting under IFRS for the Group's interests in the Escondida, Mozal and Valesul jointly controlled entities, as compared to proportional consolidation under previous UK and Australian GAAP, has corresponding impacts on the Cash Flow Statement. Under IFRS, amounts included in dividends received from these jointly controlled entities were previously included elsewhere in cash flows related to operating activities. In addition capital expenditure and debt repayments for these joint ventures are now excluded from the Group's investing and financing cash flows.

The presentation of the cash flow statement is consistent with previous Australian GAAP, however compared to UK GAAP, the cash flows have been reclassified as operating, investing and financing.

39 US Generally Accepted Accounting Principles disclosures

The financial statements of the BHP Billiton Group are prepared in accordance with International Financial Reporting Standards (IFRS). The financial information and reconciliations presented in this note set forth certain financial information that would have been presented if US Generally Accepted Accounting Principles (US GAAP) had been applied instead of IFRS.

Reconciliation to US GAAP

The following is a summary of the adjustments to net income for the years ended 30 June 2006 and 30 June 2005 that would be required if US GAAP had been applied instead of IFRS.

	Note	2006 US$M	2005 US$M
Reconciliation of net income			
Profit attributable to BHP Billiton members as reported under IFRS		10,450	6,396
add/(deduct)			
Estimated adjustments required to accord with US GAAP:			
Fair value adjustment on acquisition of BHP Billiton Plc Group			
– depreciation, amortisation and other asset movements	(A)	(234)	(308)
– impairments	(A)	(66)	–
Employee compensation costs	(B)	(4)	4
Impairment of assets	(C)	(39)	–
Depreciation – impairments	(C)	(5)	(5)
Depreciation – revaluations	(D)	3	4
Depreciation – ore reserves	(E)	(11)	(9)
Fair value accounting for derivatives	(F)	(233)	302
Fair value adjustment on acquisition of WMC Resources Ltd	(G)	–	34
Exploration, evaluation and development expenditure	(H)	(22)	(38)
Start-up costs	(I)	5	5
Pension and other post-retirement benefits	(J)	(419)	(14)
Employee Share Plan loans	(K)	2	(7)
Profit on asset sales	(M)	2	2
Other adjustments	(O)	(7)	–
Taxation effect of above adjustments	(P)	184	255
Other taxation adjustments	(Q)	177	(233)
Total adjustment		(667)	(8)
Net income of BHP Billiton Group under US GAAP		9,783	6,388

39 US Generally Accepted Accounting Principles disclosures continued

The following is a summary of the earnings per share for the years ended 30 June 2006 and 30 June 2005 measured under US GAAP.

	Note	2006 US cents	2005 US cents
Earnings per share – US GAAP (i)			
Basic – net income before cumulative effect of change in accounting principle (ii)		165.1	104.3
Cumulative effect of change in accounting principle, net of taxation (ii)	(J)	(5.4)	–
Basic – net income (ii)		159.7	104.3
Diluted – net income before cumulative effect of change in accounting principle (iii)		164.3	103.7
Cumulative effect of change in accounting principle, net of taxation (iii)	(J)	(5.4)	–
Diluted – net income (iii)		158.9	103.7

(i) For the periods indicated, each American Depositary Share (ADS) represents two ordinary shares. Therefore the earnings per ADS under US GAAP is a multiple of two from the above earnings per share disclosures.

(ii) Based on the weighted average number of ordinary shares on issue for the period.

(iii) Based on the weighted average number of ordinary shares on issue for the period, adjusted to reflect the impact of the conversion of all dilutive potential ordinary shares to ordinary shares.

The following is a summary of the adjustments to shareholders' equity as at 30 June 2006 and 30 June 2005 that would be required if US GAAP had been applied instead of IFRS.

	Note	2006 US$M	2005 US$M
Reconciliation of shareholders' equity			
Shareholders' equity attributable to members of BHP Billiton under IFRS		24,218	17,575
add/(deduct)			
Estimated adjustments required to accord with US GAAP:			
Fair value adjustments on acquisition of BHP Billiton Plc Group			
Investments	(A)	738	924
Property, plant and equipment and undeveloped properties	(A)	2,097	2,257
Long-term contracts	(A)	33	35
Goodwill	(A)	2,151	2,217
Long-term debt	(A)	–	4
Impairment of assets	(C)	(2)	42
Depreciation - revaluations	(D)	(46)	(49)
Depreciation - ore reserves	(E)	(34)	(35)
Fair value accounting for derivatives	(F)	(55)	259
Fair value adjustment on acquisition of WMC Resources Ltd	(G)	19	19
Exploration, evaluation and development expenditure	(H)	(241)	(219)
Start-up costs	(I)	(54)	(59)
Pension and other post-retirement benefits	(J)	65	361
Employee Share Plan loans	(K)	(47)	(60)
Goodwill	(L)	3	3
Profit on asset sales	(M)	(13)	(15)
Change in fair value of listed investments	(N)	–	27
Other adjustments	(O)	(78)	–
Taxation effect of fair value adjustments on acquisition of BHP Billiton Plc Group	(A)	(699)	(710)
Taxation effect of all other above adjustments	(P)	29	(138)
Other taxation adjustments	(Q)	(245)	(434)
Total adjustment		3,621	4,429
Shareholders' equity under US GAAP		27,839	22,004

Basis of preparation under US GAAP

DLC merger

On 29 June 2001, BHP Billiton Plc (formerly Billiton Plc) consummated the Dual Listed Companies (DLC) merger with BHP Billiton Limited (formerly BHP Limited). A description of the DLC merger structure is provided in 'Dual Listed Companies structure and basis of preparation of financial statements'. In accounting for this transaction, the most significant difference between IFRS and US GAAP is that, under IFRS the DLC merger has been accounted for as a merger (pooling of interests), whereas under US GAAP, the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. The BHP Billiton Limited Group was identified as the acquirer because of the majority ownership interest of BHP Billiton Limited shareholders in the DLC structure. In accordance with merger accounting under UK GAAP applicable at the time, the assets, liabilities and equity of the BHP Billiton Plc Group and of the BHP Billiton Limited Group were combined at their respective book values as determined under UK GAAP. The elections under the IFRS transition rules grandfathered the UK GAAP merger accounting treatment. Under US GAAP, the reconciliation of shareholders' equity includes the purchase adjustments required under US GAAP to recognise the BHP Billiton Plc Group assets and liabilities at their fair values at acquisition and to record purchased goodwill.

Joint ventures

The BHP Billiton Group's investment in the Richards Bay Minerals (RBM) joint venture is classified as a jointly controlled entity. The investment comprised two legal entities, Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited. Although the BHP Billiton Group owns 51 per cent of Tisand (Pty) Limited, it has not been consolidated under US GAAP in accordance with EITF 96-16 'Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights'. The substantive participating rights of the minority interests holder in Tisand (Pty) Limited are embodied in the shareholder agreement between the BHP Billiton Group and Rio Tinto, the co-venturer. The shareholder agreement ensures that the RBM joint venture functions as a single economic entity. The overall profit of the RBM joint venture is also shared equally between the venturers. The shareholder agreement also states that the parties agree that they shall, as their first priority, seek the best interests of the project as an autonomous commercial operation rather than seek to service the individual interests of any of the other parties.

The BHP Billiton Group holds a 57.5 per cent ownership interest in Minera Escondida Limitada (Escondida). The joint venture has other participants that hold ownership interests of 30 per cent, 10 per cent and 2.5 per cent, respectively. The rights of the participants are governed by a Participants' Agreement and a Management Agreement. A manager provides management and support services to the project. The compensation of the manager is set forth in the Management Agreement. The Management Agreement establishes an Owners' Council, consisting of members appointed by each participant to represent their interest in Escondida. Each member on the Owners' Council holds voting rights equal to the ownership interest of the participant they represent, although certain matters require the affirmative vote of members of the Owners' Council having in aggregate, voting rights equal to or greater than 75 per cent of the total ownership interest. Such matters generally include capital expenditure in excess of prescribed limits, sales of copper concentrate to a single customer, capacity expansions, the termination of construction, mining or production of copper concentrates, and indebtedness. The Agreement also stipulates that certain matters shall require the affirmative vote of all members of the Owners' Council having an ownership interest of 10 per cent or more. Those matters generally relate, within prescribed limits, to changes in the project, changes in the construction budget, the sale or transfer of any Escondida concessions, asset dispositions, agreements between Escondida and a participant, and share or other equity interest issuances in Escondida. In accordance with EITF 96-16, the BHP Billiton Group has not consolidated this investment.

Foreign exchange gains and losses

Under IFRS, foreign exchange gains and losses arising from the restatement of non-US dollar tax balances are included as part of income tax expense. In addition, foreign exchange gains and losses arising from the restatement of non-US dollar interest bearing liabilities are included in net finance costs and other foreign exchange gains and losses form part of other operating costs. Under US GAAP, all net foreign exchange gains and losses are shown in aggregate as a separate line item in the consolidated income statement.

Consolidated cash flow statement

The consolidated cash flow statement prepared under IFRS (in accordance with IFRS 7/AASB 107 'Cash Flow Statements') presents substantially the same information that is required under US GAAP. However, certain differences exist between IFRS and US GAAP with regard to the definition of cash and cash equivalents and the classification of items within the cash flow statement. Unlike IFRS, US GAAP cash and cash equivalents exclude bank overdrafts repayable on demand (US$16 million). In addition, exploration expenditure (US$ 766 million) and overburden removal costs capitalised (US$ 381 million) have been classified as investing cash flow under IFRS. Under US GAAP, it should be classified as operating cash flow.

US GAAP adjustments

An explanation of the adjustments from IFRS to US GAAP for 30 June 2006 and 30 June 2005 are as follows:

(A) Acquisition of BHP Billiton Plc

As noted above in 'Basis of preparation under US GAAP', the DLC merger is accounted for under IFRS using merger accounting principles. For US GAAP purposes the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. Under US GAAP purchase accounting, the cost of the acquisition is measured at the fair value of the notional consideration paid and allocated to the fair values of identifiable assets acquired and liabilities assumed. As a result, changes were recognised in the values of the BHP Billiton Plc Group's assets and liabilities including inventory, investments, long-term contracts, property, plant and equipment, undeveloped properties and long-term debt, together with appropriate deferred taxation effects. The difference between the cost of acquisition and the fair value of identifiable assets and liabilities of the BHP Billiton Plc Group has been recorded as goodwill. Fair value adjustments to the recorded amount of inventory and long-term contracts are recognised in income in the period the inventory is utilised and the long-term contracts are serviced. Additional amortisation and depreciation charges are recorded in respect of the fair value adjustments of depreciable assets over the periods of their respective useful economic lives. Included in this adjustment for the year ended 30 June 2006 is an impairment of goodwill for US$66 million (refer to 'Goodwill and other intangible assets' below). The purchase accounting adjustments to the assets and liabilities of the BHP Billiton Plc were based on management's best estimates of fair value at the date of transition and are summarised in the shareholders' equity reconciliation.

(B) Employee compensation costs

The BHP Billiton Group adopted the fair value recognition provisions of IFRS 2/AASB 2 'Share-based Payments' with effect from 1 July 2005, including the retrospective restatement of comparative periods. In accordance with elections made under the transition provisions, IFRS 2/AASB 2 is only applied to share awards granted after 7 November 2002. Equity settled entitlements granted prior to 8 November 2002, continue to be accounted for under previous UK GAAP. Under previous UK GAAP, the expected cost of employee share awards is measured as the difference between the award exercise price and the market price of ordinary shares at the grant date, and is amortised over the vesting period.

Under US GAAP, the Group has applied the fair value recognition provisions of Statement of Financial Accounting Standard No. 123, 'Accounting for Stock-Based Compensation' (SFAS 123) since 1 July 2002. As a result, the provisions of SFAS 123 have been applied to all awards granted after 1 July 1995. In the current period, the Group adopted SFAS No. 123 (revised 2004) 'Accounting for Stock-Based Compensation' (SFAS 123R) on a 'modified prospective basis'. However, as the Group has fully applied the fair value recognition provisions of SFAS 123, there are no additional adjustments required in the current period.

(C) Impairment of assets

Under IFRS, the BHP Billiton Group determines the recoverable amount of assets on a discounted basis when assessing impairments. The discount rate is a risk-adjusted market rate, which is applied both to determine impairment and to calculate the write-down. Under US GAAP, assets are reviewed for impairment using undiscounted cash flows. Only if the asset's carrying amount exceeds the sum of undiscounted future cash flows is the asset considered impaired and written down to its fair value (based on discounted cash flows). US GAAP results in lower impairment charges against income and higher asset carrying amounts; the difference in asset carrying amounts is subsequently reduced through higher depreciation charges against income.

Under IFRS, impairment losses, except for goodwill, may be reversed in subsequent periods if the recoverable amount increases. Any credits to income resulting from reversal of impairment charges under IFRS are derecognised under US GAAP as impairment reversals are not allowed.

(D) Depreciation – revaluations

On transition to IFRS previous revaluations of property, plant and equipment and investments recognised under UK GAAP were retained. These revaluations have resulted in higher carrying amounts relative to the depreciated historical cost amounts. In the case of property, plant and equipment, depreciation charges increase as a direct result of these revaluations. Since US GAAP does not permit property, plant and equipment to be revalued above historical cost, depreciation charges have been reduced to reflect depreciation based on historical cost.

(E) Depreciation – ore reserves

The BHP Billiton Group prepares ore reserve statements based on the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the JORC Code). The Ore Reserves information contained in the Annual Report differs in certain respects from that reported to the SEC, which is prepared with reference to the SEC's Industry Guide 7. Under US GAAP, depreciation charges have been increased to reflect the difference in measured reserves.

(F) Fair value accounting for derivatives

As per note 1 'Accounting policies', the BHP Billiton Group adopted IAS 39/AASB 139 from 1 July 2005. Under IAS 39/AASB 139 all derivatives are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative contract is designated as a hedging instrument, and if so, the nature of the item being hedged. The BHP Billiton Group's foreign exchange contracts held for hedging purposes are generally accounted for as cash flow hedges and interest rate swaps held for hedging purposes are generally accounted for as fair value hedges. Derivatives embedded within other contractual arrangements and commodity-based transactions executed through derivative contracts have not been designated as hedges. Under IAS 39/AASB 139, contracts for use or sale of commodities in the normal course of business are not treated as derivatives.

Statement of Financial Accounting Standards No. 133 'Accounting for Derivative Instruments and Hedging Activities' (SFAS 133) is similar but not identical to IAS 39/AASB 139. However, the documentation and effectiveness requirements for hedge accounting under SFAS 133 are more onerous and so, for the purposes of US GAAP, hedge accounting is not applied. An adjustment is made to reverse the impact of hedging under IAS 39/AASB 139. Hedge accounting is being applied under IFRS for certain capital expenditure in currencies other than the US dollar. As such, the unrealised gains or losses are recorded in the hedging reserve, and on maturity are capitalised as part of the cost of the fixed assets.

Under US GAAP, both unrealised and realised gains or losses are recorded in US GAAP net income. Furthermore, certain commodity contracts have been treated as derivatives under SFAS 133 because they have not been specifically identified as normal purchases or sales and have therefore been valued at fair value for US GAAP.

The adjustment in the year ended 30 June 2005 relates to the recognition of derivative instruments at fair value for US GAAP reporting. In 2005, under the transition rules for IAS 39/AASB 139, these derivative instruments were generally accounted for as hedges and therefore not fair valued.

(G) Fair value adjustment on the acquisition of WMC

On 17 June 2005, the BHP Billiton Group acquired WMC Resources Ltd. Under IAS 39/AASB 139, the foreign exchange contracts taken out to hedge the purchase price consideration were considered effective, and therefore exchange gains on the hedging of the consideration were included in the determination of the IFRS consideration paid for WMC.

Under US GAAP, FAS 133 disallows the hedging of a forecasted transaction that involves a business combination. Accordingly, exchange gains on the hedging of the consideration were recorded as net foreign exchange gains in the income statement. On acquisition of WMC, a restructuring provision relating to office closure and employee termination costs was recognised. In accordance with IFRS 3/AASB 3 'Business Combinations', the amount was recognised as an exceptional item in the income statement. Under US GAAP, EITF 95-3 allows restructuring provisions assumed in a purchase business combination to be included in the allocation of the acquisition cost.

(H) Exploration, evaluation and development expenditure

Under IFRS the BHP Billiton Group follows the 'area of interest' method in accounting for petroleum exploration and evaluation expenditure. This method differs from the 'successful efforts' method followed by some US companies and adopted in this reconciliation to US GAAP, in that it permits certain exploration costs in defined areas of interest to be capitalised.

Under IFRS exploration and evaluation expenditure on mineral properties is charged to the income statement as incurred, except where it relates to an area of interest which was previously acquired in a business combination and measured at fair value on acquisition, or where a final feasibility study has been completed indicating the existence of commercially recoverable reserves. US GAAP permits exploration and evaluation expenditure on mineral properties to be capitalised where a final feasibility study has been completed, indicating the existence of commercially recoverable reserves at new exploratory 'greenfield' properties. In subsequent financial periods, amortisation or write-offs of expenditure previously capitalised, which would have been expensed for US GAAP purposes, is added back when determining the net income according to US GAAP.

(I) Start-up costs

Under IFRS the BHP Billiton Group capitalises as part of property, plant and equipment, costs associated with start-up activities at new plants or operations which are incurred prior to commissioning date. These capitalised costs are depreciated in subsequent years. Under US GAAP, costs of start-up activities are expensed as incurred.

(J) Pension and other post-retirement benefits

Under IFRS the cost of providing defined benefit pension and post-retirement benefits charged against income comprises current and past service costs, interest cost on defined benefit obligations and the effect of any curtailments or settlements, net of expected returns on plan assets. Actuarial gains and losses are recognised in full directly in equity. Net assets or liabilities arising from pension and post-retirement benefit schemes are recognised in full, subject to limitations on the recognition of restricted pension scheme assets.

Under US GAAP the cost of providing defined benefit pension and post-retirement benefits is determined on a consistent basis with IFRS, except that actuarial gains and losses are recognised immediately in net income. The net assets or liabilities arising from pension and post-retirement benefit schemes is also measured consistent with IFRS, except that restricted pension scheme assets not recognised under IFRS are recognised under US GAAP.

39 US Generally Accepted Accounting Principles disclosures continued

(J) Pension and other post-retirement benefits continued

The method of accounting for defined benefit pension and post-retirement benefits under US GAAP was changed with effect from 1 July 2005. Under previous principles, the recognition of actuarial gains and losses was deferred and amortised systematically through the income statement. Under the new US GAAP policy, actuarial gains and losses are recognised through net income in the period in which they occur. The change in accounting policy results in the funded position of the defined benefit schemes being recognised as a liability on the Group's balance sheet. This change in accounting principle for US GAAP has led to a charge to income before tax for the year ended 30 June 2006 of US$392 million, being the unrecognised actuarial loss at 30 June 2005. This is offset by the tax effect of US$118 million. The change in accounting principle resulted in the recognition of current year actuarial gains of US$64 million.

If the change in accounting principle had been applied in the year ended 30 June 2005, the basic and diluted earnings per share would have been reduced by 4 US cents, and the US GAAP net income would have been reduced by US$253 million, including a tax effect of US$108 million. The recognition of actuarial loss for the year ended 30 June 2005 would have been US$31 million higher.

(K) Employee Share Plan loans

Under IFRS, loans made to employees for the purchase of shares through the BHP Billiton Limited Employee Share Plan have been recorded as receivables. Under US GAAP, the amount outstanding as an obligation to the BHP Billiton Group, which has financed equity, is eliminated from total shareholders' equity. In addition, any foreign exchange gains or losses on the outstanding loan balances are eliminated from net income.

(L) Goodwill

Under IFRS, goodwill is assessed for impairment. Under previous UK GAAP, goodwill was amortised over a period not exceeding 20 years. On adoption of IFRS, the BHP Billiton Group reversed previously amortised goodwill from 1 July 2004 in accordance with the policy of restating comparative periods.

Under US GAAP Statement of Financial Accounting Standard No. 142 'Goodwill and Other Intangible Assets' (SFAS 142), the requirement to amortise goodwill was replaced with impairment testing from 1 July 2002.

Accordingly, although the treatment of goodwill has been aligned under IFRS and US GAAP, there is a permanent difference arising from the amortisation of goodwill under UK GAAP between 1 July 2002 and 1 July 2004 which has not been reversed for restatement under IFRS.

(M) Profit on asset sales

Under IFRS, profits arising from the sale of assets are recognised in the period in which the sale occurs. Under US GAAP, recognition of such profits is deferred when the vendor has a significant continuing association with the purchaser. In such circumstances, any profit arising from a sale is recognised over the life of the continuing arrangements.

(N) Change in fair value of listed investments

As part of its exploration strategy, the BHP Billiton Group makes use of junior exploration companies (junior) to leverage its exploration spend. This generally involves the Group receiving shares in the junior and an option to enter into a joint venture over specific properties the junior is exploring in exchange for the Group contributing cash, exploration properties or other interests to the junior. Usually there is an agreement for the cash to be spent only on exploration of the specified properties. Prior to the adoption of IAS 39 / AASB 139, cash contributions (which usually take the form of subscription for shares in the junior) were expensed as exploration costs and no gain is recorded when properties are contributed to the joint venture. The US GAAP treatment is similar to this treatment except that investments in juniors with publicly traded shares are carried at the fair value, as available for sale securities, with unrealised changes in value recorded in other comprehensive income until realised or an other-than-temporary impairment occurs.

Under IAS 39/AASB 139, juniors will be treated as available for sale. Accordingly, with the treatment of juniors now being aligned between IFRS and US GAAP, there is no GAAP difference to be recorded.

(O) Other adjustments

With effect from 1 July 2001, the reporting currency of the BHP Billiton Group was changed to the US dollar. This change has been reported prospectively from 1 July 2001. As at 1 July 2001, the cumulative foreign currency translation reserve in respect of Tintaya was a credit balance of US$62 million. Under IFRS 1 'First-time Adoption of International Financial Reporting Standards', on transition to IFRS, the cumulative foreign currency translation reserve is deemed to be zero. Consequently, the gain on sale of Tintaya reported under IFRS excluded the cumulative foreign currency translation reserve. In accordance with Statement of Financial Accounting Standards No. 52 'Foreign Currency Translation' (SFAS 52), upon the sale of Tintaya an additional profit of US$62 million for the realised foreign currency translation reserve was recognised under US GAAP.

Under IFRS, insurance recoveries are recognised when it is probable that the future economic benefits will flow to the BHP Billiton Group, and the asset has a cost or value that can be measured reliably. However, under US GAAP, an asset relating to the insurance recoveries should be recognised only when any contingencies relating to the insurance claim have been resolved.

39 US Generally Accepted Accounting Principles disclosures continued

(P) Tax effect of adjustments

Adjustments to the IFRS net income and shareholders' equity are disclosed on a before tax basis. This adjustment reflects the impact of those adjustments on income taxes.

Under IFRS, to the extent that the total tax deductions are expected to exceed the cumulative remuneration expense, the excess of the associated deferred tax is recognised in equity as part of the employee share awards reserve. However, under US GAAP the deductible temporary difference is based on the compensation costs recognised. This has led to the reversal of US$30 million of deferred tax asset as at 30 June 2006 (2005: US$31 million).

(Q) Other taxation adjustments

IFRS requires tax liabilities and assets to be measured at the tax rates expected to apply using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. US GAAP Statement of Financial Accounting Standard No. 109 'Accounting for Income Taxes' (SFAS 109) requires the measurement of tax liabilities and assets using tax rates that have been enacted. The effect of a change in the South African corporate tax rate of US$24 million was recognised in June 2005 for IFRS on the basis that the legislation was substantively enacted. The legislation was enacted in July 2005. Accordingly the impact of this tax rate change is recognised for US GAAP in the year ended 30 June 2006.

The effect of an increase in the UK corporate tax rate of US$28 million for Petroleum was recognised in June 2006 for IFRS on the basis that the legislation was substantively enacted. This tax rate change will not be recognised for US GAAP purposes until the legislation is enacted.

For entities taxed in a currency other than its functional currency, IFRS requires deferred tax on temporary differences related to foreign currency non-monetary assets and liabilities to be measured having regard to the entity's functional currency carrying amounts (using historical exchange rates) and the functional currency equivalent of the local tax base (using current exchange rates). This creates a divergence from SFAS 109 which requires calculation of these temporary differences using only current exchange rates.

The tax law for certain jurisdictions provide additional tax deductions based on an inflation adjusted tax base. IFRS requires the recognition of deferred tax on temporary differences related to an increase in tax base of depreciable assets for the effects of inflation. This creates a divergence from SFAS 109 which prohibits the recognition of the additional temporary difference caused by inflation adjustments.

IFRS requires the recognition of deferred tax on all fair value adjustments which result in a difference between book and tax basis (except goodwill) arising from business combinations. On transition to IFRS, additional deferred tax liabilities recognised in respect of business combinations completed prior to 1 July 2004 resulted in a charge to retained earnings. For business combinations completed on or after 1 July 2004, the deferred tax liabilities give rise to a corresponding increase in the amounts attributable to acquired assets and/or goodwill. Under US GAAP, deferred tax liabilities arising from business combinations produce corresponding increases in the amounts attributed to acquired assets and therefore have no effect on net earnings and shareholders' funds.

Under IFRS, the tax effects of unrealised intra-group transfers such as sales of inventory, are deferred and recognised when the inventory is sold to a third party, measured by reference to the tax basis of the assets in the buyer's tax jurisdiction. Unlike IFRS, SFAS 109 measures the deferred tax arising from such transactions based on the previous tax basis of the assets in the seller's tax jurisdiction.

39 US Generally Accepted Accounting Principles disclosures continued

Goodwill and other intangible assets

In accordance with SFAS 142, the BHP Billiton Group no longer amortises goodwill and instead has adopted a policy whereby goodwill is tested for impairment on an annual basis by each reporting unit, or on a more regular basis should circumstances dictate. Any impairment is determined based on the fair value of the reporting unit by discounting the operations' expected future cash flows using a risk-adjusted discount rate.

The balance of goodwill by Customer Sector Group, measured in accordance with US GAAP is:

	2006 US$M	2005 US$M
Aluminium [(a)]	1,188	1,254
Base Metals	690	690
Carbon Steel Materials	285	285
Diamonds and Specialty Products	151	151
Energy Coal	68	68
Stainless Steel Materials	314	314
	2,696	2,762

(a) Following a review, an impairment of goodwill of US$66 million has been recognised in the reconciliation of net income.

The following table summarises additional other US GAAP intangible assets of the BHP Billiton Group at as 30 June 2006 and 30 June 2005.

	2006 US$M	2005 US$M
Pension asset	–	14
Other intangible assets		
Long-term customer contracts at gross book value	40	40
deduct amounts amortised [(a)(b)]	7	5
	33	49

(a) Gross amortisation expense for other intangible assets for the year ended 30 June 2006, including amounts under IFRS, was US$29 million.

(b) Estimated gross amortisation expense for other intangible assets for the next five financial years, including amounts under IFRS, is US$29 million per annum.

Pensions and post-retirement medical benefit plans

The BHP Billiton Group's pension and post-retirement medical benefit plans are discussed in note 22. The disclosures below include the additional information required by Statement of Financial Accounting Standards No. 132 'Employers' Disclosures about Pensions and Other Postretirement Benefits' (SFAS 132). The pension and medical costs of the BHP Billiton Group's significant defined benefit plans have been restated in the following tables in accordance with US GAAP.

The measurement date used to determine pension and medical benefit measurements as at 30 June 2006 for the Group's defined benefit pension plans and medical schemes is 30 June 2006 for all plans.

	Pension schemes		Post-retirement medical benefits	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Net periodic cost				
Service costs	67	58	8	7
Interest costs	134	90	29	26
Expected return on plan assets	(103)	(99)	–	–
Termination benefits and curtailment costs	(5)	4	–	(27)
Recognised net actuarial (gain)/loss	(65)	14	1	2
Recognised net actuarial loss due to change in accounting principle	331	–	61	–
Other adjustments	30	-	6	1
Net periodic cost under US GAAP	389	67	105	9

39 US Generally Accepted Accounting Principles disclosures continued

	Pension schemes		Post-retirement medical benefits	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Change in benefit obligation				
Benefit obligation at the beginning of the year	1,707	1,394	335	321
Amendments	3	(4)	–	–
Service costs	67	58	8	7
Interest costs	134	90	29	26
Plan participants' contributions	10	11	–	–
Actuarial (gain)/loss	(19)	170	1	27
Benefits paid	(156)	(98)	(20)	(19)
Adjustment due to inclusion of insured pensioners	–	12	–	–
Adjustments for changes in the Group structure and joint venture arrangements	37	74	–	2
Termination benefits and curtailment costs	(13)	(26)	–	(22)
Exchange variations	(8)	26	(9)	(7)
Benefit obligation at the end of the year	1,762	1,707	344	335
Projected benefit obligation at the end of the year for pension plans with accumulated benefit obligations in excess of plan assets	777	935	–	–
Accumulated benefit obligation at the end of the year for pension plans with accumulated benefit obligations in excess of plan assets	706	870	–	–
Accumulated benefit obligation for all defined benefit pension plans	1,525	1,537	–	–

	Pension schemes		Post-retirement medical benefits	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Change in plan assets				
Fair value of plan assets at the beginning of the year	1,436	1,172	–	–
Actual return on plan assets	148	205	–	–
Employer contribution	156	66	20	19
Plan participants' contributions	10	11	–	–
Benefits paid	(156)	(98)	(20)	(19)
Termination benefits and settlement/curtailment costs	(8)	(23)	–	–
Adjustment due to inclusion of insured pensioners	–	12	–	–
Adjustments for changes in the Group structure and joint venture arrangements	8	72	–	–
Exchange variations	(9)	19	–	–
Fair value of plan assets at the end of the year	1,585	1,436	–	–
Fair value of plan assets at the end of the year for plans with accumulated benefit obligations in excess of plan assets	568	584	–	–

Plan assets for pension schemes consist primarily of bonds and equities. Refer to note 22 for further details.

	Pension schemes		Post-retirement medical benefits	
	2006 US$M	2005 US$M	2006 US$M	2005 US$M
Funded status				
Funded status	(178)	(271)	(344)	(335)
Unrecognised net actuarial loss	–	331	–	61
Unrecognised prior service cost	–	30	–	6
Unrecognised net transition asset	–	(3)	–	–
Net amount recognised	(178)	87	(344)	(268)

	Pension schemes	
	2006 US$M	2005 US$M
Analysis of net amount recognised		
Prepaid benefit obligation	86	145
(Accumulated) benefit obligation	(264)	(295)
Intangible asset	–	14
Accumulated other comprehensive income	–	223
Net amount recognised	(178)	87
Increase/(decrease) in minimum liability included in other comprehensive income	(223)	88

39 US Generally Accepted Accounting Principles disclosures continued

	Pension schemes		
	Weighted average target asset allocation for future periods	Weighted average asset allocation	
		2006	2005
	%	%	%
Weighted average target allocation by asset category			
Equities	39	39	52
Bonds	47	47	31
Property	2	2	3
Cash and net current assets	–	–	3
Insured annuities	9	9	9
Other	3	3	2
Total	100	100	100

The investment strategy is determined by each plan's fiduciary body in consultation with the Group. In general, the investment strategy for each plan is set by reference to the duration and risk profile of the plan, as well as the plan's solvency level.

The BHP Billiton Group expects to contribute US$59 million to its pension plans and US$21 million to its post-retirement medical plans in the year ending 30 June 2007.

	Pension schemes	Post-retirement medical benefits
	US$M	US$M
Expected future benefit payments for the year ending:		
30 June 2007	100	21
30 June 2008	105	21
30 June 2009	107	22
30 June 2010	112	23
30 June 2011	118	24
Estimated benefit payments for the five year period from 30 June 2011 to 30 June 2016	542	132

Given the nature of some of the pension schemes, year-on-year variations on benefit payments can be significant.

Unremitted earnings of jointly controlled entities

Included in consolidated retained earnings is US$2,914 million (2005:US$1,864 million) of undistributed earnings relating to jointly controlled entities where BHP Billiton cannot control the timing of distributions.

39 US Generally Accepted Accounting Principles disclosures continued

Employee Share Ownership Plan disclosures

The tables below show the non-vested awards and their weighted average fair values at grant date at 30 June 2006 and 30 June 2005:

2006	Non-vested awards at the beginning of the financial year	Number of awards issued during the year	Number of awards vested	Number of awards lapsed	Non-vested awards remaining at the end of the financial year
BHP Billiton Plc					
Long Term Incentive Plan Performance Shares	2,317,300	3,016,500	10,000	382,334	4,941,466
- weighted average fair value at grant date US$	5.23	4.06	4.65	5.03	4.53
Group Incentive Scheme Performance Shares	4,819,393	–	3,328,877	31,088	1,459,428
- weighted average fair value at grant date US$	1.97	–	1.96	2.01	2.01
Group Incentive Scheme Deferred Shares	2,493,101	1,013,048	1,432,383	27,483	2,046,283
- weighted average fair value at grant date US$	8.29	13.17	7.03	10.80	11.56
BHP Billiton Limited					
Long Term Incentive Plan Performance Shares	4,764,108	7,158,350	1,250	442,124	11,479,084
- weighted average fair value at grant date US$	5.39	3.88	5.39	4.67	4.48
Group Incentive Scheme Performance Shares	9,860,582	–	6,451,271	168,321	3,240,990
- weighted average fair value at grant date US$	1.92	–	1.91	1.96	1.95
Group Incentive Scheme Deferred Shares	5,107,264	2,086,697	2,791,466	98,070	4,304,425
- weighted average fair value at grant date US$	8.17	13.83	6.49	11.18	11.94

2005	Number of awards issued at the beginning of the financial year	Number of awards issued during the year	Number of awards vested	Number of awards lapsed	Number of awards remaining at the end of the financial year
BHP Billiton Plc					
Long Term Incentive Plan Performance Shares	–	2,354,800	–	37,500	2,317,300
- weighted average fair value at grant date US$	–	5.23	–	5.23	5.23
Group Incentive Scheme Performance Shares	4,833,951	358,128	281,123	91,563	4,819,393
- weighted average fair value at grant date US$	1.97	2.02	1.97	1.98	1.97
Group Incentive Scheme Deferred Shares	1,310,131	1,308,709	79,665	46,074	2,493,101
- weighted average fair value at grant date US$	6.44	10.08	7.03	8.61	8.29
BHP Billiton Limited					
Long Term Incentive Plan Performance Shares	–	4,854,485	–	90,377	4,764,108
- weighted average fair value at grant date US$	–	5.39	–	5.39	5.39
Group Incentive Scheme Performance Shares	10,136,908	637,676	668,853	245,149	9,860,582
- weighted average fair value at grant date US$	1.92	2.04	1.92	1.93	1.92
Group Incentive Scheme Deferred Shares	2,884,289	2,536,991	256,111	57,905	5,107,264
- weighted average fair value at grant date US$	6.28	10.23	7.08	9.03	8.17

The weighted average fair value at grant date of options issued during the year ended 30 June 2006 was US$3.23 for BHP Billiton Plc (2005: US$2.40) and US$3.67 for BHP Billiton Limited (2005: US$2.53). The total intrinsic value of options exercised during the year ended 30 June 2006 was US$5 million for BHP Billiton Plc (2005: Nil) and US$2 million for BHP Billiton Limited (2005: Nil).

The aggregate intrinsic value of options outstanding at 30 June 2006 was US$7 million for BHP Billiton Plc (2005: US$5 million) and US$16 million for BHP Billiton Limited (2005: US$9 million). The aggregate unrecognised compensation cost related to non-vested shares at 30 June 2006 was US$20 million for BHP Billiton Plc (2005: US$15 million) and US$44 million for BHP Billiton Limited (2005: US$31 million).

The weighted average remaining contractual term for the outstanding options is 231 days for BHP Billiton Plc (2005:165 days) and 194 days for BHP Billiton Limited (2005:192 days). The weighted average remaining contractual term for the outstanding shares is 878 days for BHP Billiton Plc (2005: 534 days) and 899 for BHP Billiton Ltd (2005: 530 days).

The total tax benefit for the current compensation costs is US$12 million (2005: US$12 million).

Impact of new accounting standards

In March 2005, the Emerging Issues Task Force (EITF) of the FASB reached a consensus in Issue No. 04-6 ‘Accounting for Stripping Costs Incurred During Production in the Mining Industry’ (EITF 04-6) that stripping costs incurred during the production phase of a mine are variable production costs. As such, stripping costs incurred during the production phase are treated differently to stripping costs incurred during the development phase, and should be included in the cost of the inventory produced during the period that the stripping costs are incurred. This consensus is applicable for the financial year beginning after 15 December 2005. The Group presently expects the impact of adopting EITF 04-6 will be a cumulative charge against profit of prior years’ deferred overburden removal costs of US$916 million.

In September 2005, the EITF of the FASB reached a consensus in Issue No. 04-13 ‘Accounting for Purchases and Sales of Inventory with the Same Counterparty’ (EITF 04-13). This is applicable for new inventory arrangements entered into, or modifications or renewals of existing arrangements occurring for annual reporting periods after 15 March 2006. Entities that enter into inventory purchase and sales transactions with the same counterparty, in contemplation of one another, should combine the transactions and treat them as non-monetary exchanges involving inventory. The Group is currently assessing the impact of EITF 04-13.

In March 2006, the EITF of the FASB reached a consensus in Issue No. 06-3 ‘How Taxes Collected From Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That is, Gross versus Net Presentation)’ (EITF 06-3). The disclosure required by the consensus will be applicable for annual reporting periods after 15 December 2006. This permits companies to elect to present on either a gross or net basis based on their accounting policy. This applies to sales and other taxes that are imposed on and concurrent with individual revenue producing transactions between a seller and a customer. The gross basis includes the taxes in revenues and costs; the net basis excludes the taxes from revenues. The consensus would not apply to tax systems that are based on gross receipts or total revenues. The Group is currently assessing the impact of EITF 06-3.

In June 2006, FASB Interpretation No. 48 ‘Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109’ (FIN 48) was issued. FIN 48 requires tax benefits from an uncertain position to be recognised only if it is ‘more likely than not’ that the position is sustainable, based on its technical merits. The interpretation also requires qualitative and quantitative disclosures, including discussion of reasonably possible changes that might occur in recognised tax benefits over the next 12 months, a description of open tax years by major jurisdiction, and a roll-forward of all unrecognised tax benefits. FIN 48 first applies for the Group’s financial year beginning 1 July 2007. The Group is currently assessing the impact of adopting FIN 48.

In May 2005, the FASB issued Statement of Financial Accounting Standard (SFAS) ‘Accounting Changes and Error Corrections’ (SFAS 154) which replaced APB No. 20 ‘Accounting Changes’ and SFAS No. 3 ‘Reporting Accounting Changes in Interim Financial Statements’. The standard changes the requirements in accounting and disclosure for a change in accounting principle. Under SFAS 154, voluntary changes in accounting principles are to be reported using retrospective application unless it is impracticable to do so. The standard is effective for accounting changes and corrections of errors made in the period beginning after 15 December 2005. The Group is currently assessing the impact of adopting SFAS 154.

In November 2005, the FASB issued FASB Staff Position SFAS 123(R)-3 ‘Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards’ (FSP 123(R)-3). FSP 123(R)-3 provides an alternative method that establishes a computational component to arrive at the beginning balance of the accumulated paid-in capital pool related to employee compensation and a simplified method to determine the subsequent impact of the accumulated paid-in capital pool of employee awards that are fully vested and outstanding upon the adoption of SFAS 123R. The Group does not presently expect the application of this FSP to have a material impact on its financial position or results of operations.

In November 2005, the FASB issued FASB Staff Position Nos. SFAS 115-1 and SFAS 124-1 ‘The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments’. This FSP addresses the determination as to when an investment is considered impaired and whether that impairment is other-than–temporary, and the measurement of an impairment loss. This FSP also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment. The application of this FSP will not have a material impact on the Group’s financial position or results of operations.

In October 2005, the FASB issued FASB Staff Position SFAS 123(R)-2 ‘Practical Accommodation to the Application of Grant Date as Defined in SFAS 123R’ (FSP 123(R)-2). FSP 123(R)-2 provides guidance on the application of grant date as defined in SFAS 123R. In accordance with SFAS 123R, a grant date of award exists if the award is a unilateral grant and the key terms and conditions of the award are expected to be communicated to an individual recipient within a relatively short time period form the date of approval. The application of this FSP will not have a material impact on the Group’s financial position or results of operations.

39 US Generally Accepted Accounting Principles disclosures continued

In February 2006, the FASB issued Statement of Financial Accounting Standard No. 155 'Accounting for Certain Hybrid Financial Instruments' (SFAS 155). SFAS 155 provides entities with relief from having to separately determine the fair value of an embedded derivative that would otherwise have to be bifurcated from its host contract in accordance with SFAS 133. SFAS 155 allows an entity to make an irrevocable election to measure such a hybrid financial instrument at fair value in its entirety, with changes in fair value recognised in earnings. Additionally, SFAS 155 requires that interest in securitised financial assets be evaluated to identify whether they are freestanding derivatives or hybrid financial instruments containing an embedded derivative that requires bifurcation (previously these were exempt from SFAS 133). SFAS 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring after the beginning of an entity's first fiscal year that begins after 15 September 2006. The Group is currently assessing the impact of adopting SFAS 155.

40 Directors' and executives' remuneration

1. The Remuneration Committee
1.1 Role
The Committee is committed to the principles of accountability and transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance. Operating under delegated authority from the Board, its activities are governed by terms of reference available on BHP Billiton's website. The Committee focuses on:

- remuneration policy and its specific application to the CEO, the executive Directors and other executives reporting to the CEO and its general application to all Group employees
- the formulation and adoption of incentive plans
- the determination of levels of reward to the CEO, the executive Directors and other executives reporting to the CEO
- providing guidance to the Chairman on evaluating the performance of the CEO and
- effective communication with shareholders on the remuneration policy and the Committee's work on behalf of the Board.

2. Remuneration Policy and Structure

The Committee recognises that the Group operates in a global environment and that its performance depends on the quality of its people. It keeps the remuneration policy under constant review to ensure its ongoing appropriateness.

2.1 Key principles of the Group's remuneration policy
The key principles of the Group's remuneration policy are to:

- provide competitive rewards to attract, motivate and retain highly-skilled executives willing to work around the world
- apply demanding key performance indicators (KPIs), including financial and non-financial measures of performance
- link rewards to the creation of value to shareholders
- ensure remuneration arrangements are equitable and facilitate the deployment of human resources around the Group and
- limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance.

The Committee is confident that these principles, which were applied in the year under review and will continue to be applied for the FY 2007 and beyond, continue to meet the Group's objectives.

The Group is committed to a performance-based culture, with a large component of pay linked to performance and a high correlation between Group performance and levels of executive compensation.

The compensation paid and payable to the executive Directors and other Key Management Personnel is disclosed in this Report. It comprises *fixed* and, apart from non-executive Directors, *at risk* components. The manner in which these components are determined is outlined in sections 2.2 and 2.3. The actual compensation paid and payable is set out in note 31.

Service contracts for Key Management Personnel excluding non-executive Directors
It is the Group's policy that service contracts have no fixed term but are capable of termination on 12 months' notice and that the Group retains the right to terminate the contract immediately, by making a payment equal to 12 months' base salary and retirement benefit contributions in lieu of notice. All Key Management Personnel, with the exception of non-executive Directors, have service contracts. These contracts typically outline the components of remuneration paid but do not prescribe how remuneration levels are to be modified from year to year.

2.2 *Fixed* remuneration
Fixed remuneration is made up of base salary, retirement and other benefits.

Base salary is targeted industry average levels for comparable roles in global companies of similar complexity and size. Market data are used to benchmark salary levels on a global scale, adjusted for local conditions.

Base salaries are set by reference to the scope and nature of the individual's performance and experience and are reviewed each year. The review takes into account any change in the scope of the role performed by the individual, any changes required to meet the principles of the remuneration policy and our market competitiveness.

Retirement benefits to new entrants are delivered under defined contribution plans. All defined benefit plans have now been closed to new entrants. Employees who participate in these legacy defined benefit plans continue to accrue benefits in such plans for both past and future service unless they have opted to transfer to a defined contribution plan.

Other benefits include health insurance, relocation costs, life assurance, car allowances and tax advisory services as applicable.

No element of remuneration, other than base salary, is pensionable.

2.3 *At risk* remuneration

The *at risk* remuneration is geared to Group performance and is made up of short and long-term incentives.

Short-term incentives are delivered under the Group Incentive Scheme (GIS), which rewards individuals for meeting or exceeding KPIs that are set at the beginning of each financial year and are aligned to BHP Billiton's strategic framework. KPIs include Group and personal objectives and measures. The Committee believes that the setting of KPIs and the relative weightings given to the different categories of KPI effectively incentivises short-term performance.

Executive Directors and Key Management Personnel who are not Directors each have a target cash award of 70 per cent of base salary, which is paid annually.

The performance level achieved against each KPI is measured and awards are calculated and paid according to the level of performance.

To encourage employee retention and share ownership, the Group matches the cash amount awarded in Deferred Shares and/or Options, which are subject to a two-year vesting period before they can be exercised. If, during the two-year vesting period, an individual resigns without the Committee's consent or is dismissed for cause, the right to the Deferred Shares and/or Options is forfeited.

Long-term incentives are delivered under the Long Term Incentive Plan (LTIP), which is designed to reward sustainable, long-term performance in a transparent manner. Under the LTIP, individuals are granted Performance Shares, which have a five-year performance period. The number of Performance Shares granted is determined by the Committee.

The number of Performance Shares that an individual will be entitled to at the end of the five years will depend on the extent to which the Performance Hurdle has been met. The Performance Hurdle is described below.

The diversified natural resources industry is capital intensive, cyclical and long term. Outstanding performance comes from accessing high-quality resources, successfully developing new projects and maintaining efficient and safe operations. The Committee believes that, in this environment, success can best be measured by the Group's total shareholder return (TSR) relative to the TSR of an index of a peer group of companies, weighted 75 per cent to mining and 25 per cent to oil and gas, over a long (five-year) period.

The Performance Hurdle requires BHP Billiton's TSR over the five-year period to be greater than the weighted average TSR of the index. If BHP Billiton's TSR is equal to or less than the weighted average TSR of the index, the Performance Hurdle will not be met and no Performance Shares will vest.

For all the Performance Shares to vest, BHP Billiton's TSR must exceed the weighted average TSR of the index by a specified percentage. The Committee determines the percentage each year. For the 2004, 2005 and 2006 financial years this percentage has been set at 5.5 per cent per annum. This is an annual amount and equates to exceeding the weighted average TSR of the index over the five-year performance period by more than 30 per cent. The Committee and the Board believe that this equates to outstanding (or top decile) performance.

For performance between the weighted average TSR of the index and 5.5 per cent per annum above the index, vesting occurs on a sliding scale. In the event that the Committee does not believe that BHP Billiton's TSR properly reflects the financial performance of the Group, the Committee retains the discretion to lapse the Performance Shares. It is anticipated that such discretion would only be used in exceptional circumstances.

In any one financial year, a participant cannot be granted Performance Shares that have an Expected Value that exceeds twice their annual base salary. Expected Value has been used because, relative to typical peer group incentive arrangements, the LTIP is long- term (with performance measured over five years), has high performance requirements (top decile ranking for full vesting) and offers no payout at median performance. Kepler Associates LLP have verified that the Expected Value calculation is accurate and appropriate.

Where the Committee retains discretion in relation to the award of any short or long-term incentives, the rules of the GIS and the LTIP require the Committee to exercise that discretion in good faith and acting reasonably.

40 Directors' and executives' remuneration continued

Participation in the GIS and the LTIP is approved by the Committee and participants are required to hold a minimum number of BHP Billiton shares (***Minimum Shareholding Requirement***) throughout their period of participation in the schemes. This Minimum Shareholding Requirement is equal to 50 per cent of one year's base salary, on an after-tax basis.

It is intended that shareholders will be asked at the 2006 Annual General Meetings to approve the introduction of an **all-employee share plan**. This is viewed as an important tool to enable employees to participate as shareholders in the Group's success. It will allow employees to purchase BHP Billiton shares at a Market Value of up to US$5,000 per year. Shares held for three years will be matched at no additional cost to the employee. The principal components of the plan, if this authority is granted, are set out in the Notice of Meeting.

3. Section 3 is not used

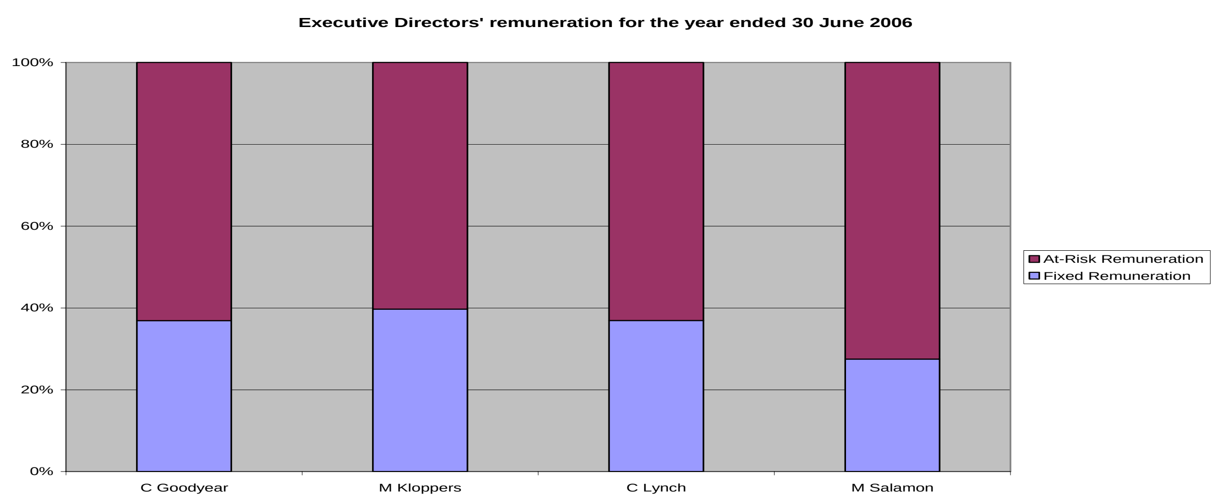
4. Executive Directors

This section contains information relating to the Group's four executive Directors. Their detailed remuneration is set out in tabular form in note 31. Executive Directors serving at the date of this Report and during the year:

- Charles Goodyear, Chief Executive Officer
- Marius Kloppers, Group President, Non-Ferrous Materials(appointed 1 January 2006)
- Chris Lynch, Group President,Carbon Steel Materials(appointed 1 January 2006)
- Mike Salamon, Executive President (see note (4) below)

4.1 Summary of remuneration arrangements

This chart illustrates the split between *fixed* and *at risk* remuneration for the year ended 30 June 2006. The data on which the chart is based are taken from the remuneration tables in section 8.



4.2 Short-term incentives (*at risk*) (1)

	Year ended 30 June 2006			Year ending 30 June 2007	
	Cash bonus range (% of base salary)	Actual cash bonus (% of base salary)(2)	Weighting split Group and personal (%)	Cash bonus range (% of base salary)	Weighting split Group and personal (%) (3)
Charles Goodyear	0 – 105	74.2	70/30	0 – 105	40/60
Marius Kloppers	0 – 105	74.0	50/50	0 – 105	40/60
Chris Lynch	0 – 105	69.5	49/51	0 – 105	40/60
Mike Salamon	0 – 105	69.0	70/30	n/a(4)	n/a(4)

Notes:

(1) This section relates to short-term incentives under the GIS and does not include the supplemental cash bonus to be paid in September 2006.

(2) Cash bonuses are paid in September following the release of the Group's annual results. The value is matched with the grant of Deferred Shares and/or Options after shareholder approval at the Annual General Meetings.

(3) Group measures include KPIs for Financial Performance. Personal measures include KPIs for Operations and Business Processes/Strategy and Growth/People and Leadership/Zero Harm and Sustainable Development.

(4) Mr Salamon retired as an employee on 1 September 2006 and will be retiring as a Director on 26 October 2006. No bonus will be paid to him in respect of any part of FY 2007.

4.3 Long-term incentives (*at risk*)

All shares under award form part of the executive Directors *at risk* remuneration. The extent to which Performance Shares will vest is dependent on the extent to which the Performance Hurdles are met and continuing employment with the Group. A summary of interests in incentive plans including the number of shares awarded in the FY 2006 is shown in note 31.

40 Directors' and executives' remuneration continued

4.4 Retirement benefits

Charles Goodyear's remuneration includes a payment in lieu of a contribution by the Group to a superannuation or pension fund fixed at an annual rate of 48 per cent of base salary. Mr Goodyear may elect to have this paid into a superannuation or pension fund or, instead, to defer receipt, subject to the rules of a Retirement Savings Plan established for this purpose. It allows him to accumulate these annual payments and to defer receipt until after he retires from the Group. It also allows Mr Goodyear to establish retirement savings arrangements that best meet his needs.

If Mr Goodyear dies while still employed, a benefit of four times base salary will be payable to his estate. A spouse's pension equal to two-thirds of one thirtieth of Mr Goodyear's pensionable salary at date of death for each year of service from 1 January 2003 to his normal retirement date will be payable for the duration of his spouse's lifetime. Periods of service where Mr Goodyear received his retirement benefit in the form of the cash gratuity will be disregarded for the purpose of calculating any pension amount.

If Mr Goodyear leaves due to incapacity, an ill-health pension of one thirtieth for each year of service from 1 January 2003 to age 60 will be payable for the duration of Mr Goodyear's lifetime.

In the event of death during ill-health retirement, a spouse's pension of two thirds of the ill-health pension will be payable for the duration of the spouse's lifetime. Additionally, a children's pension equal to 20 per cent of the ill-health pension will be payable for the first child or 33 per cent if there are two or more children, with the resultant pension amounts to be shared equally between the children until each child ceases being in full-time education or reaches the age of 23, whichever occurs first.

Marius Kloppers and **Chris Lynch** are entitled to participate in the retirement arrangements detailed below for Key Management Personnel, save for Mr Kloppers retaining his previous pension promise of one thirtieth of base salary for each year of service. In lieu of this pension promise, Mr Kloppers has an option for a defined contribution or cash gratuity alternative.

Mike Salamon completed 20 years of service with the Group (and its predecessor companies) on 1 April 2005 and consequently no further pension benefits accrued thereafter other than to reflect changes in his pensionable salary. Mr Salamon retired as an employee on 1 September 2006 and will retire as a Director on 26 October 2006. On retirement, he became entitled to a pension under non-contributory defined benefit pension arrangements set up by BHP Billiton Plc and BHP Billiton Services Jersey Limited. The pension payable equates to two thirds of base salary and has been reduced because payment will commence before the normal retirement age of 60. The reduction penalty is normally 4 per cent per annum where retirement is without consent of the Group and 2 per cent per annum where retirement is with consent of the Group. Mr Salamon's retirement is with Group consent and at the date of retirement he was 51 years of age. In accordance with the rules of the scheme, all pensions in payment will be indexed in line with the UK Retail Price Index. On death in retirement, a spouse's pension equal to two thirds of the pension in payment will be payable. Where legislation allows, Mr Salamon has opted to commute the pension described for a cash lump sum as final settlement of the Group's obligations to him. A summary of his retirement benefits assuming retirement at age 60 (as required by the applicable regulations) is shown in section 8.

4.5 Service contracts and termination provisions

It is the Group's policy that service contracts for executive Directors have no fixed term but are capable of termination on 12 months' notice and that the Group retains the right to terminate the contract immediately by making a payment equal to 12 months' pay in lieu of notice. The service contracts typically outline the components of remuneration paid to the individual, but do not prescribe how remuneration levels are to be modified from year to year.

Name	Employing company	Date of contract	Notice period – Employing company	Notice period – Employee	Termination provisions
Charles Goodyear	BHP Billiton Limited BHP Billiton Plc	21 August 2003	12 months	3 months	On termination, employing company may make a payment in lieu of notice equal to 12 months' base salary plus retirement benefit contributions for that period.
Marius Kloppers	BHP Billiton Plc	19 February 2001, as amended by 31 August 2004	12 months	6 months	On termination, employing company may make a payment in lieu of notice equal to 12 months' base salary plus retirement benefit contributions for that period.
Chris Lynch	BHP Billiton Limited	16 August 2006	12 months	6 months	On termination, employing company may make a payment in lieu of notice equal to 12 months' base salary plus retirement benefit contributions for that period.
Mike Salamon(1)	BHP Billiton Plc BHP Billiton Services Jersey Limited(2)	1 September 2003 1 September 2003	12 months	12 months	On termination, employing company may make a payment in lieu of notice of 12 months, equal to 150 per cent of annual base salary. This reflects market practice at the time the terms were agreed.

Notes:

(1) Mr Salamon retired as an employee on 1 September 2006 and will be retiring as a Director on 26 October 2006.

(2) A wholly-owned subsidiary of BHP Billiton Plc.

Entitlements under GIS, the LTIP and Retirement Plans on ceasing employment

The rules of the GIS and LTIP[(1)] cover any entitlements the executive Directors might have on termination in relation to short and long-term incentives. They outline the circumstances in which the executive Directors (and any other participant) would be entitled to receive any Deferred Shares, Options or Performance Shares that had been granted but which had not vested at the date of termination. The rules of the GIS also outline the circumstances in which the executive Directors would be entitled to a cash bonus payment for the performance year in which they leave the Group. Such circumstances depend on the reason for leaving the Group.

The Committee regards it as an important principle that, where an individual resigns without the Committee's consent or their employment is terminated for cause, they forfeit the right to both their unvested Deferred Shares and Options and Performance Shares.

Name	GIS and LTIP	Retirement Plans
Charles Goodyear	The rules of the GIS and the LTIP provide that should Mr Goodyear leaves the Group for any reason other than resignation or termination for cause, the following would apply: • Deferred Shares and Options already granted would vest in full. • He would have a right to retain entitlements to Performance Shares that have been granted but that are not yet exercisable. The number of such Performance Shares would be pro-rated to reflect the period of service from the commencement of the relevant performance period and would only become exercisable once the Performance Hurdles have been met. In addition, the Committee has determined that a cash bonus will be paid for the year of departure, calculated according to Mr Goodyear's performance measured against KPIs and pro-rated to reflect the proportion of the year served.	Any entitlements accrued under the rules of the Retirement Savings Plan at the date of termination.
Marius Kloppers	Entitlements to Deferred Shares and Performance Shares as per Mr Goodyear above. The Committee has not considered the circumstances in which it would exercise its discretion to allow Mr Kloppers to receive any cash bonus in the event of his departure. That entitlement, if any, will be governed by the rules of the schemes at the date of departure.	Entitlements as per contractual arrangements. Entitled to a defined benefit pension of one thirtieth of pensionable salary per year of service following 1 July 2001 to date of leaving. This defined benefit is payable for each year of service other than for periods where Mr Kloppers has opted to take the defined-contribution or cash equivalent payment in lieu.
Chris Lynch	Entitlements to Deferred Shares and Performance Shares as per Mr Goodyear above. The Committee has not considered the circumstances in which it would exercise its discretion to allow Mr Lynch to receive any cash bonus in the event of his departure. That entitlement, if any, will be governed by the rules of the schemes at the date of departure.	Any entitlements accrued under the rules of the Retirement Savings Plan and the Australian Superannuation Fund at the date of termination.
Mike Salamon[(2)]	At retirement, Mr Salamon's entitlements to Deferred Shares and Performance Shares were the same as per Mr Goodyear above. Accordingly, his Deferred Shares vested on 1 September 2006 in respect of Mr Salamon's GIS participation for FY 2006, an amount equal to his GIS cash award will be paid in lieu of the award of Deferred Shares.	Entitlements as per contractual arrangements. The accrued defined benefit pension entitlement will be reduced by 2 per cent per annum for each year until Mr Salamon reaches age 60. Where legislation allows, Mr Salamon has opted to commute his retirement pension as a lump sum. The lump sum commutation terms were determined by the Group and are based on market conditions as at 31 August 2006.

Notes:

(1) The GIS and the LTIP rules are available on the Group's website.

(2) Mr Salamon's contractual agreements provide for a 2 per cent reduction in his pension benefit for each year that he retires before age 60 where the retirement is with Group consent.

40 Directors' and executives' remuneration continued

5. Key Management Personnel (other than Directors)

The Key Management Personnel of the Group, other than Directors, are those executives who have the authority and responsibility for planning, directing and controlling the activities of the Group. The five highest paid executives in the Group are represented amongst the executive Directors and other Key Management Personnel. This section contains information relating to the Group's Key Management Personnel other than Directors (referred to as 'executives').

Key Management Personnel (other than Directors) (1)		Date of appointment to Office of the Chief Executive (OCE) if during the year
Philip Aiken(2)	President – UK	
John Fast	Chief Legal Counsel and Head of External Affairs	
Robert Kirkby(3)	Executive President	
Marcus Randolph	Chief Organisation Development Officer	2 September 2005
Alex Vanselow	Chief Financial Officer	1 April 2006
Karen Wood	Special Adviser and Head of Group Secretariat	8 December 2005
Mike Yeager	Group President Energy	26 April 2006

Notes:
(1) Mr Kloppers and Mr Lynch were Key Management Personnel prior to their appointment as executive Directors on 1 January 2006.
(2) Mr Aiken has stepped down from the OCE and will retire from the Group on 31 December 2006.
(3) Mr Kirkby will retire from the Group on 31 December 2006.

5.1 Remuneration

Total remuneration is divided into two components – *fixed* and *at risk*. The *at risk* component is derived only in circumstances where the individual has met challenging KPIs and Performance Hurdles that contribute to the Group's overall profitability and performance.

5.2 Short and long-term incentives

Short and long-term incentives form part of the executives' *at risk* remuneration.

Short-term incentives (*at risk*) (1)

	Year Ended 30 June 2006			Year Ending 30 June 2007	
	Cash bonus range (% of base salary)	Actual cash bonus (% of base salary)(2)	Weighting split Group and personal (%)	Cash bonus range (% of base salary)	Weighting split Group and personal (%) (3)
Philip Aiken	0 – 105	53.3	25/75	0 – 105	30/70
John Fast	0 – 105	68.7	40/60	0 – 105	30/70
Robert Kirkby	0 – 105	67.1	29/71	0 – 105	40/60
Marcus Randolph	0 – 105	73.7	37/63	0 – 105	30/70
Alex Vanselow	0 – 105	67.5	50/50	0 – 105	30/70
Karen Wood	0 – 105	70.1	45/55	0 – 105	30/70
Mike Yeager	0 – 105	83.2	35/65	0 – 105	40/60

Notes:
(1) This table relates to short-term incentives under the GIS and does not include the supplemental cash bonus to be paid in September 2006.
(2) Cash bonuses are paid in September following the release of the Group's annual results. The value is matched with the grant of Deferred Shares and/or Options after shareholder approval at the Annual General Meetings.
(3) Group measures include KPIs for Financial Performance. Personal measures include KPIs for Operations and Business Processes/Strategy and Growth/People and Leadership/Zero Harm and Sustainable Development.

Long-term incentives (at risk)

All shares under award form part of the executives' *at risk* remuneration. The extent to which shares under award will vest is dependent on the extent to which the Performance Hurdles are met and continuing employment within the Group. A summary of executives' interests in incentive plans, including the number of shares awarded in FY 2006, is shown in note 31.

40 Directors' and executives' remuneration continued

5.3 Retirement benefits

For service following 1 January 2003, retirement, death and disability benefits were aligned, where possible, for the executives as set out below.

A defined contribution rate was calculated to target a pension accrual of 2.2 per cent of base salary for each year of service from 1 January 2003 to age 60. Allowance for a two-thirds spouse's pension in retirement plus inflation indexation in payment was also incorporated into the calculations. To deliver the retirement promise, the executive is given a choice of funding vehicles, including the executive's current retirement arrangement, an unfunded Retirement Savings Plan, an International Retirement Plan or a cash gratuity in lieu. The aggregate cost to the Group of exercising these funding choices will not exceed the calculated contribution rate for each executive.

Death-in-service and ill-health benefits
A lump sum of four times base salary and a spouse's pension of two thirds of 2.2 per cent of base salary at death for each year of service from 1 January 2003 to age 60 will be payable. In addition, dependants' benefits are payable. If the executive leaves due to incapacity, an ill-health pension of 2.2 per cent of base salary for each year of service from 1 January 2003 to age 60 will be payable for the duration of the executive's life. In both cases, periods of service where the executive elects to receive a cash gratuity are excluded.

In the event of death during ill-health retirement, a spouse's pension of two thirds of the ill-health pension will be payable for the duration of the spouse's lifetime. Additionally, a children's pension equal to 20 per cent of the ill-health pension will be payable for the first child or 33 per cent if there are two or more children, with the resultant pension amounts to be shared equally between the children until the child ceases being in full-time education or reaches the age of 23, whichever occurs first.

Benefits accrued by the executive in retirement arrangements before 1 January 2003 will be payable in addition to those described above.

Retirements
Philip Aiken and Robert Kirkby will retire from the Group with effect from 31 December 2006. The terms of their retirement have yet to be finalised. These will be reported in the FY 2007 Remuneration Report.

5.4 Service contracts
It is the Group's policy that service contracts for executives have no fixed term but are capable of termination on 12 months' notice and that the Group retains the right to terminate the contract immediately by making a payment equal to 12 months' pay in lieu of notice. The service contracts typically outline the components of remuneration paid to the executive, but do not prescribe how remuneration levels are to be modified from year to year.

Name	Employing company	Notice period – Employing company	Notice period – Employee	Termination provisions[(1)]
Philip Aiken[(2)] Robert Kirkby[(2)] Marcus Randolph Alex Vanselow Karen Wood Mike Yeager	BHP Billiton Limited BHP Billiton Limited BHP Billiton Limited BHP Billiton Mineral Service Company Limited BHP Billiton Limited BHP Billiton Petroleum (Americas) Inc	12 months 12 months 12 months 12 months 12 months 12 months	6 months 6 months 6 months 6 months 6 months 6 months	On termination, the employing company may make a payment in lieu of notice equal to 12 months' base salary plus the superannuation and retirement benefit contributions for that period.
John Fast	BHP Billiton Limited	3 months	3 months	On termination, the employing company may make a payment in lieu of notice equal to three months' base salary plus a termination payment of 21 months' base salary.

Notes:
(1) The Committee has not considered the circumstances in which it would exercise its discretion to allow current executives to maintain any ongoing participation in relation to the long-term incentive schemes in which they participate in the event of their departure. Such entitlements, if any, will be governed by the rules of the schemes at the date of departure.
(2) Mr Aiken and Mr Kirkby will retire from the Group on 31 December 2006.

40 Directors’ and executives’ remuneration continued

6. Non-executive Directors
6.1 Remuneration policy
The aggregate sum available to remunerate non-executive Directors is currently A$3 million.
Shareholder approval will be sought at the 2006 Annual General Meetings to redenominate this sum into US dollars to align it with the reporting currency of the Group and to eliminate any inadvertent breach of the limit due to currency exchange fluctuations.
The remuneration rates reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the Dual Listed Companies structure, the multiple stock exchange listings, the extent of the geographic regions in which the Group operates and the enhanced responsibilities associated with membership of Board Committees. They also reflect the considerable travel burden imposed on members of the Board.
The Board is conscious that just as the Group must set remuneration levels to attract and retain talented executives, so it must ensure that remuneration rates for non-executive Directors are set at a level that will attract the calibre of Director necessary to contribute effectively to a high-performing Board. Fees for the Chairman and the non-executive Directors were reviewed in July 2006 in accordance with the policy of conducting annual reviews. The Committee took advice from Kepler Associates LLP on fees for the Chairman. The Board took advice from Deloitte & Touche LLP on non-executive Directors’ fees. The accompanying table sets out the fees before and after the 2006 review.
Non-executive Directors are not eligible to participate in any of the Group’s incentive arrangements.

A standard letter of engagement has been developed for non-executive Directors and is available on the Group’s website.

Each non-executive Director is appointed subject to periodic re-election by the shareholders. There are no provisions in any of the non-executive Directors’ appointment arrangements for compensation payable on early termination of their directorship.

Levels of fees and travel allowances for non-executive Directors

US dollars	*At 1 July 2006*	*At 1 September 2005*
Base fee	110,000	100,000
Plus additional fees for:		
Senior Independent Director of BHP Billiton Plc	25,000	20,000
Committee Chair:		
Risk & Audit	45,000	40,000
Sustainability	30,000	25,000
Remuneration	30,000	25,000
Nomination	No additional fees	
Committee membership:		
Risk & Audit	25,000	20,000
Remuneration	20,000	15,000
Sustainability	17,000	15,000
Nomination	No additional fees	
Travel allowance (per journey):		
Greater than 3 but less than 12 hours	5,000	3,000
Greater than 12 hours	10,000	7,500
Chairman’s remuneration	750,000	700,000

40 Directors' and executives' remuneration continued

7. Section 7 is not used

8. Remuneration Tables

Remuneration tables are contained in note 31.

Retirement benefits

Executive Directors

Mike Salamon – Defined benefits pension				
US dollars				
Amount by which the annual pension entitlement has increased during the year ended 30 June 2006 (1)	Total annual pension entitlement as at 30 June 2006	Difference in transfer values (2)(3)	Estimated capital value (transfer value) of total accrued pension	
			30 June 2006	30 June 2005
25,488	874,000	4,805,850	14,197,869	9,392,019

Notes:

(1) The increase in accrued pension is the difference between the accrued pension at the end of the previous year and the accrued pension at the end of the year without any allowance for inflation.
(2) Retirement benefits for Mike Salamon are non-contributory.
(3) The increase in accrued pension after making an allowance for inflation of 3.3 per cent was (US$2,532) and the transfer value of that increase was (US$41,149). For FY 2005, the increase in accrued pension after making an allowance for inflation of 2.9 per cent was US$42,275 and the transfer value of that increase was US$447,798.

Non-executive Directors
The following table sets out the accrued retirement benefits under the now-closed Retirement Plan of BHP Billiton Limited, together with any entitlements obtained by the compulsory Group contributions to the BHP Billiton Superannuation Fund. The Retirement Plan was closed on 24 October 2003 and entitlements that had accumulated in respect of each of the participants were frozen. These will be paid on retirement. An earnings rate equal to the five-year Australian Government Bond Rate is being applied to the frozen entitlements from that date.

US dollars				
Name	Completed service at 30 June 2006 (years)	Increase in lump sum entitlement during the year (1)	Lump sum entitlement at	
			30 June 2006	30 June 2005
Don Argus	9	69,686	1,356,447	1,286,761
Michael Chaney	see note (2) below	4,978	see note (2) below	339,742
David Crawford	12	58,705	419,937	361,232
David Jenkins	6	4,382	224,057	219,675
John Schubert	6	10,529	183,955	173,426

Notes:
(1) On closure of the Retirement Plan, no further entitlements have accrued. The increase reflects the accrual at the date of closure, together with application of the earnings rate and foreign exchange impact.
(2) Mr Chaney retired on 25 November 2005. Following his retirement Mr Chaney received entitlement payments totalling US$344,720.

40 Directors' and executives' remuneration continued

9. Appendix

Summary of long-term incentive plans

The long-term incentive plans in which the executive Directors have unvested or unexercised[1] awards at the date of this Report are summarised in the table below.

	LTIP 2005 Performance Shares	LTIP 2004 Performance Shares	GIS 2003 Performance Shares	GIS 2002 Performance Shares (transition year) [2]	MTI 2001 and CIP 2001	PSP 2001 and RSS 2001[2]	ESP 2000[2]
Performance measurement From To	1 July 2005 30 June 2010	1 July 2004 30 June 2009	1 July 2003 30 June 2006	1 July 2002 30 June 2005[3]	1 October 2001 30 September 2005[3]	1 October 2001 30 September 2004	3 April 2000 2 April 2003
Plan status	Performance period not yet concluded	Performance period not yet concluded	Performance period concluded on 30 June 2006 and will vest in August 2006	Awards have met Performance Hurdles and are capable of being exercised	Legacy plan. Awards have met Performance Hurdles and have all been exercised	Legacy plan. Awards have met Performance Hurdles and are capable of being exercised	Legacy plan. Awards have met Performance Hurdles and are capable of being exercised
TSR performance condition	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton Limited TSR compared to ASX 100 and global comparator group
Inflationary performance condition	No	No	Yes[4]	Yes	Yes	Yes	No
Vesting schedule (upper and lower range)	<Index: 0% Index +5.5% p.a.: 100% Between Index and Index +5.5% p.a.: Straight-line pro-rata vesting	<Index: 0% Index +5.5% p.a.: 100% Between Index and Index +5.5% p.a.: Straight-line pro-rata vesting	<50th percentile – 0% 85th – 100 percentile - 100%	<50th percentile – 0% 85th – 100 percentile - 100%	<10th position – 0% >4th position – 125%	< 10th position – 0% >4th position – 100%	<41st percentile - 0% >60th percentile -100%
Expiry date if exercisable	August 2015	August 2014	August 2009	August 2008	April 2006	September 2011[5]	April 2010[5]
Comparator group: [6]	See note (7)	See note (7)					
ASX 100							X
Alcan	X	X	X	X	X	X	
Alcoa	X	X	X	X	X	X	
Alumina	X	X	X	X	X	X	
Anglo American	X	X	X	X	X	X	
Arcelor							X
Barrick Gold			X	X	X	X	
BG Group	X	X					
BP	X	X					
Companhia Vale do Rio Doce	X	X	X	X	X	X	
ConocoPhillips	X	X	X	X	X	X	X
Corus Group							X
Exxon Mobil	X	X					
Falconbridge	X	X	X	X	X	X	X
Freeport-McMoRan	X	X	X	X	X	X	X
Impala	X	X					
Inco	X	X	X	X	X	X	
LTV							X
Marathon Oil	X	X	X	X	X	X	X
Newmont Mining	X	X	X	X	X	X	
Norilsk	X	X					
Nucor							X
Phelps Dodge	X	X	X	X	X	X	X
Placer Dome			X	X	X	X	
Rio Tinto	X	X	X	X	X	X	X
Shell	X	X					
Total	X	X					X
Unocal	X	X	X	X	X	X	X
US Steel							X
Woodside Petroleum	X	X	X	X	X	X	X
Xstrata	X	X	X	X			

40 Directors' and executives' remuneration continued

Further details of all incentive plans, including the number of participants in those plans, are contained in note 27.

Notes:

(1) Awards under the MTI 2001 and CIP 2001 vested and were exercised during the year ended 30 June 2006. No executive Director retains an interest in the plans.
(2) Although the awards under this plan have vested, some executive Directors have not yet exercised their awards and still retain an interest in the plan.
(3) The performance period ended 30 June 2005. 100 per cent of the shares vested.
(4) The inflationary performance condition will be satisfied if the compound EPS growth for BHP Billiton during the performance period is at least equal to the greater of the increase in the Australian Consumer Price Index and the increase in the UK Retail Price Index, plus two percentage points per annum, over the performance period.
(5) Expiry date will be earlier if employment ceases.
(6) From publicly available data.
(7) The peer group of companies forming the weighted index used is the same as the comparator group in respect of the 2004 and 2005 LTIP.

Supplementary oil and gas information

Reserves and production

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

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

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

The tables below detail estimated oil, condensate, LPG and gas reserves at 30 June 2006, 30 June 2005 and 30 June 2004, with a reconciliation of the changes in each year. 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 that will be produced under several production and risk sharing arrangements that involve the BHP Billiton Group in upstream risks and rewards without transfer of ownership of the products. At 30 June 2006, approximately 11 per cent (2005: 12 per cent; 2004: 17 per cent) of proved developed and undeveloped oil, condensate and LPG reserves and nil per cent (2005: nil per cent; 2004: nil per cent) of natural gas reserves are attributable to those arrangements. Reserves also include volumes calculated by probabilistic aggregation of certain fields that share common infrastructure. These aggregation procedures result in enterprise-wide proved reserves volumes, which may not be realised upon divestment on an individual property basis.

Proved developed and undeveloped oil, condensate and LPG reserves (a)				
(millions of barrels)	Australia/ Asia	Americas	UK/Middle East	Total
Reserves at 30 June 2003	326.6	152.0	113.4	592.0
Improved recovery	–	–	–	–
Revisions of previous estimates	20.2	(2.6)	(9.5)	8.1
Extensions and discoveries	0.4	11.0	1.1	12.5
Purchase/sales of reserves	–	(4.0)	–	(4.0)
Production (b)	(46.3)	(7.6)	(14.1)	(68.0)
Total changes	(25.7)	(3.2)	(22.5)	(51.4)
Reserves at 30 June 2004	300.9	148.8	90.9	540.6
Improved recovery	–	–	–	–
Revisions of previous estimates	24.5	(1.7)	(1.3)	21.5
Extensions and discoveries	7.2	43.5	–	50.7
Purchase/sales of reserves	(9.2)	–	–	(9.2)
Production (b)	(38.7)	(7.6)	(14.7)	(61.0)
Total changes	(16.2)	34.2	(16.0)	2.0
Reserves at 30 June 2005	284.7	183.0	74.9	542.6
Improved recovery	-	11.5	-	11.5
Revisions of previous estimates	52.4	0.6	(2.6)	50.4
Extensions and discoveries	-	2.6	-	2.6
Purchase/sales of reserves	-	(0.3)	-	(0.3)
Production (b)	(33.2)	(7.3)	(15.3)	(55.8)
Total changes	19.2	7.1	(17.9)	8.4
Reserves at 30 June 2006 (c)	303.9	190.1	57.0	551.0
Proved developed oil, condensate and LPG reserves (a)				
Reserves at 30 June 2003	227.8	9.9	24.5	262.2
Reserves at 30 June 2004	201.9	5.4	54.8	262.1
Reserves at 30 June 2005	180.5	18.3	74.5	273.3
Reserves at 30 June 2006	199.3	21.5	54.6	275.4

(a) In Bass Strait, the North West Shelf, Ohanet 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 13.9 million barrels derived from probabilistic aggregation procedures.

Proved developed and undeveloped natural gas reserves (billions of cubic feet)	Australia/ Asia [a]	Americas	UK/Middle East	Total
Reserves at 30 June 2003	4,904.6	147.3	419.0	5,470.9
Improved recovery	–	–	–	–
Revisions of previous estimates	114.6	2.2	(10.0)	106.8
Extensions and discoveries	51.6	4.6	–	56.2
Purchases/sales of reserves	–	(32.8)	–	(32.8)
Production [b]	(222.9)	(20.5)	(77.0)	(320.4)
Total changes	(56.7)	(46.5)	(87.0)	(190.2)
Reserves at 30 June 2004	4,847.9	100.8	332.0	5,280.7
Improved recovery	–	–	–	–
Revisions of previous estimates	237.3	3.1	(29.9)	210.5
Extensions and discoveries	177.0	27.6	–	204.6
Purchases/sales of reserves	(165.8)	–	–	(165.8)
Production [b]	(275.7)	(14.6)	(57.6)	(347.9)
Total changes	(27.2)	16.1	(87.5)	(98.6)
Reserves at 30 June 2005	4,820.7	116.9	244.5	5,182.1
Improved recovery	-	-	-	-
Revisions of previous estimates	4.0	6.5	34.7	45.2
Extensions and discoveries	-	1.3	-	1.3
Purchases/sales of reserves	-	(0.2)	-	(0.2)
Production [b]	(292.0)	(8.0)	(61.1)	(361.1)
Total changes	(288.0)	(0.4)	(26.4)	(314.8)
Reserves at 30 June 2006 [c]	4,532.7	116.5	218.1	4,867.3
Proved developed natural gas reserves				
Reserves at 30 June 2003	2,560.4	64.8	397.1	3,022.3
Reserves at 30 June 2004	2,539.7	20.1	310.0	2,869.8
Reserves at 30 June 2005	2,621.4	15.1	239.3	2,875.8
Reserves at 30 June 2006	2,286.4	16.5	206.4	2,509.3

(a) Production for Australia includes gas sold as LNG and as liquefied ethane.
(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 195.8 billion cubic feet derived from probabilistic aggregation procedures.

Capitalised costs incurred relating to oil and gas exploration and production activities

The following table shows the aggregate capitalised costs relating to oil and gas exploration and production activities and related accumulated depreciation, depletion, amortisation and impairments.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
Capitalised cost				
2006				
Unproved properties	69	346	6	421
Proved properties	5,050	3,092	2,550	10,692
Total costs [a][b]	5,119	3,438	2,556	11,113
less Accumulated depreciation, depletion, amortisation and impairments [a][b][c]	(2,681)	(910)	(1,667)	(5,258)
Net capitalised costs	2,438	2,528	889	5,855
2005				
Unproved properties	77	447	9	533
Proved properties	4,588	2,404	3,376	10,368
Total costs [a][b]	4,665	2,851	3,385	10,901
less Accumulated depreciation, depletion, amortisation and impairments [a][b][c]	(2,415)	(761)	(2,072)	(5,248)
Net capitalised costs	2,250	2,090	1,313	5,653

(a) Includes US$286 million (2005: US$286 million) attributable to prior year revaluations of fixed assets above historical costs and related accumulated amortisation thereof of US$240 million (2005: US$237 million).
(b) Includes US$168 million (2005: US$142 million) attributable to capitalised exploration, evaluation and development expenditures, which would be expensed under US GAAP and related accumulated amortisation thereof of US$97 million (2005: US$91 million).
(c) Includes US$nil (2005: US$8 million) of exploration costs previously capitalised now written off as impaired, which would not have been written off under US GAAP.

Costs incurred relating to oil and gas exploration and production activities

The following table shows costs incurred relating to oil and gas exploration and production activities (whether charged to expense or capitalised). Amounts shown include interest capitalised.

Supplementary Oil and Gas Information - unaudited

Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of geological and geophysical activities and drilling of exploratory wells. Development costs were all incurred to develop booked proved undeveloped reserves.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
2006				
Acquisitions of unproved property	-	9	-	9
Exploration [(a)]	53	316	68	437
Development	373	610	54	1,037
Total costs [(b)]	426	935	122	1,483
2005				
Acquisitions of unproved property	–	2	–	2
Exploration [(a)]	67	292	19	378
Development	238	669	78	985
Total costs [(b)]	305	963	97	1,365

(a) Represents gross exploration expenditure.

(b) Total costs include US$1,166 million (2005: US$1,165 million) capitalised during the year.

Supplementary oil and gas information continued

Results of operations from oil and gas producing activities

The following information is similar to the disclosures in note 2 to the financial statements 'Business and geographical segments' but differs in several respects as to the level of detail and geographic presentation. Amounts shown in the following table exclude interest income and borrowing costs, and general corporate administrative costs. Petroleum general and administrative costs relating to oil and gas activities are included.

Income taxes were determined by applying the applicable statutory rates to pre-tax income with adjustments for permanent differences and tax credits. Certain allocations of tax provisions among geographic areas were necessary and are based on management's assessment of the principal factors giving rise to the tax obligation.

Revenues are reflected net of royalties but before deduction of production taxes. Revenues include sales to affiliates but amounts are not significant.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
2006				
Oil and gas revenue	3,011	587	1,259	4,857
Production costs	(314)	(111)	(157)	(582)
Exploration expenses (a)	(52)	(269)	(72)	(393)
Depreciation, depletion and amortisation (a)	(217)	(235)	(256)	(708)
Production taxes	(151)	(4)	(6)	(161)
	2,277	(32)	768	3,013
Income taxes	(554)	46	(361)	(869)
Royalty related taxes	(493)	-	(45)	(538)
Results of oil and gas producing activities (b)	1,230	14	362	1,606
2005				
Oil and gas revenue	2,693	441	838	3,972
Production costs	(328)	(58)	(109)	(495)
Exploration expenses (a)	(38)	(149)	(15)	(202)
Depreciation, depletion and amortisation (a)	(213)	(150)	(237)	(600)
Production taxes	(149)	(33)	(4)	(186)
	1,965	51	473	2,489
Income taxes	(460)	(21)	(181)	(662)
Royalty related taxes	(478)	-	(18)	(496)
Results of oil and gas producing activities (b)	1,027	30	274	1,331

(a) Exploration expenses exclude capitalised exploration, evaluation and development expenditures of US$25 million (2005: US$11 million) which would have been expensed under US GAAP. In a related manner, depreciation is higher in 2006 by US$6 million (2005: US$1 million) than that determined under US GAAP.

(b) Amounts shown exclude general corporate overheads and, accordingly, do not represent all of the operations attributable to the Petroleum segment presented in note 2 to the financial statements. There are no equity minority interests.

Standardised measure of discounted future net cash flows relating to proved oil and gas reserves ('Standardised measure')

The purpose of this disclosure is to provide data with respect to the estimated future net cash flows from future production of proved developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas.

The Standardised measure is based on the BHP Billiton Group's estimated proved reserves, (as presented in the section 'Reserves') and this data should be read in conjunction with that disclosure, which is hereby incorporated by reference into this section. The Standardised measure is prepared on a basis which presumes that year end economic and operating conditions will continue over the periods in which year end proved reserves would be produced. The effects of future inflation, future changes in exchange rates and expected future changes in technology, taxes and operating practices have not been included.

The Standardised measure is prepared by projecting the estimated future annual production of proved reserves owned at period end and pricing that future production at prices in effect at year end to derive future cash inflows. Future price increases may be considered only to the extent that they are provided by fixed contractual arrangements in effect at year end and are not dependent upon future inflation or exchange rate changes.

Future cash inflows are then reduced by future costs of producing and developing the year end proved reserves based on costs in effect at year end without regard to future inflation or changes in technology or operating practices. Future development costs include the costs of drilling and equipping development wells and construction of platforms and production facilities to gain access to proved reserves owned at year end. They also include future costs, net of residual salvage value, associated with the abandonment of wells, dismantling of production platforms and restoration of drilling sites. Future cash inflows are further reduced by future income taxes based on tax rates in effect at year end and after considering the future deductions and credits applicable to proved properties owned at year end. The resultant annual future net cash flows (after deductions of operating costs including resource rent taxes, development costs and income taxes) are discounted at 10 per cent per annum to derive the Standardised measure.

There are many important variables, assumptions and imprecisions inherent in developing the Standardised measure, the most important of which are the level of proved reserves and the rate of production thereof. The Standardised measure is not an estimate of the fair market value of the BHP Billiton Group's oil and gas reserves. An estimate of fair value would also take into account, among other things, the expected recovery of reserves in excess of proved reserves, anticipated future changes in prices, costs and exchange rates, anticipated future changes in secondary tax and income tax rates and alternative discount factors representing the time value of money and adjustments for risks inherent in producing oil and gas.

Supplementary oil and gas information continued

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
Standardised measure				
2006				
Future cash inflows	35,666	13,351	4,758	53,775
Future production costs	(11,465)	(1,682)	(1,158)	(14,305)
Future development costs [(a)(b)]	(3,971)	(2,007)	(313)	(6,291)
Future income taxes	(5,945)	(2,761)	(1,215)	(9,921)
Future net cash flows	14,285	6,901	2,072	23,258
Discount at 10% per annum	(6,430)	(2,531)	(465)	(9,426)
Standardised measure	7,855	4,370	1,607	13,832
2005				
Future cash inflows	29,356	10,107	4,749	44,212
Future production costs	(10,402)	(1,242)	(1,146)	(12,790)
Future development costs [(a)(b)]	(3,467)	(1,633)	(326)	(5,426)
Future income taxes	(4,583)	(1,962)	(1,101)	(7,646)
Future net cash flows	10,904	5,270	2,176	18,350
Discount at 10% per annum	(4,989)	(1,956)	(473)	(7,418)
Standardised measure	5,915	3,314	1,703	10,932

(a) Total future dismantlement, abandonment and rehabilitation obligations at 30 June 2006 are estimated to be US$1,413 million and this amount has been included in the Standardised measure calculation.

(b) Future costs to develop proved undeveloped reserves over the next three years are expected to be US$1,356 million (2007), US$1,071 million (2008) and US$686 million (2009).

Changes in the Standardised measure are presented in the following table. The beginning of year and end of year totals are shown after reduction for income taxes and these, together with the changes in income tax amounts, are shown as discounted amounts (at 10 per cent per annum). All other items of change represent discounted amounts before consideration of income tax effects.

	2006 US$M	2005 US$M
Changes in the Standardised measure		
Standardised measure – beginning of period	10,932	8,021
Revisions:		
Prices, net of production costs	5,700	4,672
Revisions of quantity estimates [(a)]	583	397
Accretion of discount	1,560	1,136
Changes in production timing and other [(b)]	(1,299)	(675)
	17,476	13,551
Sales of oil and gas, net of production costs	(4,114)	(2,795)
Sales of reserves-in-place	21	(230)
Development costs incurred which reduced previously estimated development costs	1,037	985
Extensions and discoveries, net of future costs	971	751
Changes in future income taxes	(1,559)	(1,330)
Standardised measure – end of the year	13,832	10,932

(a) Changes in reserves quantities are shown in the Oil and Gas Reserves tables.

(b) Includes the effect of foreign exchange and changes in future development costs.

Supplementary oil and gas information continued

Production

The table below details our Petroleum CSG's historical net crude oil and condensate, natural gas, LNG, LPG and ethane production by region for the three years ended 30 June 2006, 2005 and 2004. We have shown volumes and tonnages of marketable production after deduction of applicable royalties, fuel and flare. We have included in the table average production costs per unit of production and average sales prices for oil and condensate and natural gas for each of those periods.

	BHP Billiton Group share of production Year ended 30 June		
	2006	2005	2004
Petroleum Crude oil and condensate ('000 of barrels)			
Australia/Asia	25,401	31,090	38,912
Americas	7,327	7,605	7,477
Europe/Africa/Middle East	13,145	12,145	11,638
Total crude oil and condensate	45,873	50,840	58,027
Natural gas (M of cubic feet)			
Australia/Asia (domestic)	203.38	189.83	165.35
Australia/Asia (LNG) (leasehold production)	88.20	83.09	60.84
Americas	8.04	15.01	20.59
Europe/Africa/Middle East	60.82	57.75	77.56
Total natural gas	360.44	345.68	324.34
LPG ('000 tonnes)			
Australia/Asia (leasehold production)	641.12	640.13	652.85
Europe/Africa/Middle East (leasehold production)	172.72	219.97	200.68
Total LPG	813.84	860.10	853.53
Ethane ('000 tonnes)			
Australia/Asia (leasehold production)	106.15	101.53	94.30
Total petroleum products (M barrels of oil equivalent) (1)	115.95	119.03	122.47

Average sales price Oil and condensate (US$ per barrel)	61.90	47.16	32.24
Natural gas (US$ per thousand cubic feet)	3.33	2.98	2.62
Average production cost (2)			
US$ per barrel of oil equivalent (including indirect taxes)	6.40	5.72	4.32
US$ per barrel of oil equivalent (excluding indirect taxes)	5.01	4.16	3.27

(1) Total barrels of oil equivalent (boe) conversions based on the following: 6,000 scf of natural gas equals 1 boe; 1 tonne of LPG equals 11.6 boe; 1 tonne of ethane equals 4.4667 boe.

(2) Average production costs include direct and indirect production costs relating to the production and transportation of hydrocarbons to the point of sale. This includes shipping where applicable. Average production costs have been shown excluding resource tax and including and excluding other indirect taxes and duties and including the foreign exchange effect of translating local currency denominated costs and indirect taxes into US$. In prior years resource taxes were included; production costs have been restated to exclude resource taxes.

Accounting for suspended exploratory well costs

Refer to Accounting Policies “Exploration and evaluation expenditure” and “Development expenditure” in Note 1 for a discussion of the accounting policies applied to the cost of exploratory wells. Suspended wells are also reviewed in this context.

The following table presents the changes to capitalised exploratory-well costs that were pending the determination of proved reserves for the two years ended 30 June 2006 and 30 June 2005.

	2006 US$M	2005 US$M
Movement in capitalised exploratory well costs		
Balance at the beginning of period	257.4	202.9
Additions to capitalised exploratory well costs pending the determination of proved reserves	79.1	121.9
Capitalised exploratory well costs charged to expense	(77.9)	(2.5)
Reclassifications to development	-	(62.7)
Reclassifications to assets held for sale	(45.0)	-
Other changes	2.1	(2.2)
Balance at the end of the year	215.7	257.4

The following table provides an aging of capitalised exploratory-well costs, based on the date the drilling was completed, and the number of projects for which exploratory well costs have been capitalised for a period greater than one year since the completion of drilling:

	2006 US$M	2005 US$M
Ageing of capitalised exploratory well costs		
Exploratory well costs capitalised for a period of one year or less	166.3	205.6
Exploratory well costs capitalised for a period greater than one year	49.4	51.8
Balance at the end of the year	215.7	257.4

	2006	2005
Number of projects that have been capitalised for a period greater than one year	4	5

At 30 June 2006 there were no exploratory wells in areas where major capital expenditures will be required and no further exploratory drilling is planned.

Included in capitalised exploratory well costs at 30 June 2006 was $3.5 million related to exploratory wells that were associated with areas not requiring major capital expenditure before production could begin, where more than one year has elapsed since the completion of drilling. These wells form part of the North West Shelf joint ventures long term development plans and will be developed when reserves are required.