BHP Billiton Limited (single parent entity) Financial statements

ABN 49 004 028 077

for the year ended 30 June 2006

Contents

BHP Billiton Limited (single parent entity)
Income statement
For the year ended 30 June 2006

	Notes	**2006 US$M**	2005 US$M
Revenue	2	**4,919**	3,389
Expenses excluding net finance income	3	**(405)**	(500)
Financial income	3	**857**	1,153
Financial expenses	3	**(505)**	(520)
Net finance income	3	**352**	633
Profit before taxation		**4,866**	3,522
Income tax expense	4	**(70)**	(104)
Profit after taxation		**4,796**	3,418

The accompanying notes form part of these financial statements.

BHP Billiton Limited (single parent entity)
Statement of Recognised Income and Expense
For the year ended 30 June 2006

	2006 US$M	2005 US$M
Profit for the year	**4,796**	3,418
Amounts recognised directly in equity		
Actuarial gains on pension plans	**1**	-
Total amount recognised directly in equity	**1**	-
Total recognised income and expense for the year	**4,797**	3,418

The accompanying notes form part of these financial statements.

BHP Billiton Limited (single parent entity)
Balance sheet
As at 30 June 2006

	Notes	**2006 US$M**	2005 US$M
ASSETS			
Current assets			
Cash at bank	5	**1**	-
Trade and other receivables [(a)]	6	**14,791**	23,862
Other	7	**2**	3
Total current assets		**14,794**	23,865
Non-current assets			
Trade and other receivables [(a)]	8	**2,960**	3,309
Other financial assets	9	**12,825**	11,978
Property, plant and equipment	10	**1**	1
Deferred tax assets	11	**132**	141
Total non-current assets		**15,918**	15,429
Total assets		**30,712**	39,294
LIABILITIES			
Current liabilities			
Trade and other payables [(a)]	12	**14,419**	23,671
Interest bearing liabilities	13	**1**	1
Provisions	14	**147**	111
Current tax payable	15	**1,039**	376
Total current liabilities		**15,606**	24,159
Non-current liabilities			
Interest bearing liabilities [(a)]	16	**2,333**	4,348
Provisions	17	**61**	78
Total non-current liabilities		**2,394**	4,426
Total liabilities		**18,000**	28,585
NET ASSETS		**12,712**	10,709
EQUITY			
Share capital	18	**1,202**	1,323
Reserves	19	**540**	488
Retained earnings	20	**10,970**	8,898
Total equity		**12,712**	10,709

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

The accompanying notes form part of these financial statements.

BHP Billiton Limited (single parent entity)
Cash flow statement
For the year ended 30 June 2006

	Notes	**2006 US$M**	2005 US$M
Operating activities			
Receipts from customers		**144**	141
Payments to suppliers and employees		**(383)**	(254)
Cash generated from operations		**(239)**	(113)
Interest received		**857**	1,148
Dividends received		**4,775**	3,248
Interest paid		**(505)**	(515)
Income tax paid		**(1,289)**	(435)
Net operating cash flows	31	**3,599**	3,333
Investing activities			
Investments in controlled entities		**(848)**	-
Net investing cash flows		**(848)**	-
Financing activities			
Share buy-back		**(1,620)**	(1,777)
Proceeds from ordinary share issues		**24**	56
Purchase of shares by ESOP trusts		**(120)**	(47)
Dividends paid		**(1,149)**	(842)
Net financing of related entities		**121**	(720)
Net financing cash flows		**(2,744)**	(3,330)
Net increase in cash and cash equivalents		**7**	3
Cash and cash equivalents, net of overdrafts, at beginning of year		**(1)**	(1)
Effect of foreign currency exchange rate changes on cash and cash equivalents		**(6)**	(3)
Cash and cash equivalents, net of overdrafts, at end of year	5	**-**	(1)

The accompanying notes form part of these financial statements.

1 Statement of accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

Basis of preparation

This general purpose financial report for the year ended 30 June 2006 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board (AASB) and interpretations effective as of 30 June 2006, other authoritative pronouncement of AASB, Urgent Issues Group Interpretations (UIG) as adopted by AASB and the *Corporations Act 2001.*

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.

Pursuant to Section 340 of the Corporations Act 2001, the Australian Securities and Investments Commission issued an order dated 8 September 2006 that granted relief from the requirement under the Act to distribute single entity financial statements of BHP Billiton Limited to its members. The Annual Report for the year ended 30 June 2006 of the BHP Billiton Group is distributed to members and includes, in a note to the financial statements, the income statement, the balance sheet, the statement of recognised income and expense and cash flow statement of BHP Billiton Limited (single parent entity). The relief order requires the single parent entity financial statements to be available on the Company's website and to be available to members by request free of charge.

The relief order also grants BHP Billiton Limited relief from the following requirements of subsection 296(1) of the Corporations Act 2001 concerning inclusion of the following information in the single parent entity financial statements:

(i) the consolidated financial statements of the BHP Billiton Group and notes thereto;

(ii) any segment information;

(iii) any earnings per share information;

(iv) any key management personnel disclosures;

(v) the identity and country of incorporation of controlled entities;

(vi) any financial instruments disclosures;

(vii) any other note disclosures required by accounting standards in relation to the single parent entity financial statements that are included in the full financial report of the BHP Billiton Group.

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 DLC arrangements, including dividend equalisation, are detailed under "Dual Listed Companies' structure and basis of preparation of financial statements" within note 1 "Accounting policies" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

This is BHP Billiton Limited's first AIFRS annual report. The basis of preparation is different to that of the most recent comparative year annual report due to the first time adoption of AIFRS. An explanation of how the transition to AIFRS has affected the reported financial position and financial performance of BHP Billiton Limited is provided in Note 34. This note includes reconciliations of equity and profit for comparative periods previously reported under Australian Generally Accepted Accounting Principles (GAAP) to those amounts reported under AIFRS.

This financial report has been prepared on the basis of AIFRS on issues that are effective, or except as described below, available for early adoption at BHP Billiton Limited's first AIFRS reporting date of 30 June 2006. Except as noted below, BHP Billiton Limited has elected to early adopt all Australian Accounting Standards and interpretations that have commencement dates later than BHP Billiton Limited's AIFRS 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 AIFRS transition exemptions, are available. The principal standards and interpretations that have been early adopted are:

- revised AASB 119 'Employee Benefits'
- UIG Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'

BHP Billiton Limited did not early adopt AASB 7 'Financial Instruments: Disclosures', and UIG Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. The potential impact on the financial report had the standard and interpretation been adopted early has not been determined.

1 Statement of accounting policies (continued)

AASB 1 'First time adoption of International Financial Reporting Standards', which governs the first time adoption of AIFRS, in general requires accounting policies to be applied retrospectively in order to determine an opening balance sheet at BHP Billiton Limited's AIFRS transition date of 1 July 2004, and allows certain exemptions on the transition to AIFRS which BHP Billiton Limited has elected to apply. Those elections considered significant to BHP Billiton Limited include decisions to:

- not restate previous mergers or acquisitions and the accounting thereof;
- measure property, plant and equipment at deemed cost, being the previously valued amount of property, plant and equipment immediately prior to the date of transition;
- not apply the recognition and measurement requirements of AASB 2 'Share-based Payment' to equity instruments granted before 7 November 2002;
- recognise the cumulative effect of actuarial gains and losses on defined benefit employee schemes in retained earnings as at the transition date; and
- transfer all foreign currency translation differences, previously held in reserves, to retained earnings at the transition date.

In addition, as described below, BHP Billiton Limited has applied the exemption available under AASB 1 whereby AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' shall apply from 1 July 2005 and not for the year ended 30 June 2005.

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 BHP Billiton Group's operations.

Foreign currencies

BHP Billiton Limited's reporting currency and the functional currency of the majority of its operations is US dollars as this is the principal currency of the economic environment in which it operates.

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 exchange currency borrowings designated as a hedge of the net assets of foreign operations.

Revenue

Sales revenue
Revenue from the disposal of 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 company, the quantity and the quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectibility is reasonably assured. This is generally when title passes.

Dividend revenue
Dividend revenue from controlled entities is recognised when the dividends are declared by the controlled entities.

Interest revenue
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Royalty revenue and management fees
Royalty revenue and management fees are recognised on an accruals basis in accordance with the substance of the relevant agreement.

1 Statement of accounting policies (continued)

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 and 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, joint ventures and associates to the extent that BHP Billiton Limited 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 which 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 BHP Billiton Limited 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.

Tax consolidation

BHP Billiton Limited and its wholly-owned Australian resident entities are taxed as a single entity. The entities within the tax consolidated group have entered into a tax sharing agreement and a tax contribution agreement with BHP Billiton Limited. Under the tax sharing agreement the entities in the tax consolidated group agree to pay a tax equivalent amount to BHP Billiton Limited for current income tax payable or to receive a tax equivalent amount from BHP Billiton Limited for current income tax receivable and/or tax losses. The tax sharing agreement also provides the method of allocating tax liabilities should BHP Billiton Limited default on its tax payment obligations. The contributions of each entity are determined and recognised as if it were a stand-alone entity and essentially this method of calculating the contribution requires the calculation of income tax expense as if the entity had not been a member of the tax consolidated group. Previously under UIG Interpretation 52, all tax balances of the entities in the tax consolidated group, with the exception of those belonging specifically to BHP Billiton Limited, were classified as intercompany balances. The financial statements of BHP Billiton Limited correspondingly reflected the intercompany balances and recognised all tax balances of the tax consolidated group. However upon adoption of UIG Interpretation 1052, which coincided with the adoption of AIFRS, deferred tax balances are no longer classified as intercompany with the exception of any amounts relating to tax losses.

Dividend franking account
Tax consolidation legislation requires a tax consolidated group to keep a single franking account. Accordingly, upon formation of the tax consolidated group, franking credits were transferred to the ultimate parent entity.

1 Statement of accounting policies (continued)

Leased assets

Assets held under leases which result in BHP Billiton Limited receiving substantially all the risks and rewards of ownership of the assets (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.

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.

Depreciation of property, plant and equipment
The carrying amounts of property, plant and equipment (including the initial and subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned. The major categories of property, plant and equipment are depreciated on a straight-line basis using estimated lives as follows:

• Buildings	Up to 40 years straight-line
• Land	not depreciated
• Plant, machinery and equipment	Up to 30 years straight-line
• Capitalised leased assets	up to 30 years or life of lease, whichever is shorter, straight-line

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

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. 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 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 assets are deducted.

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 applying assumptions specific to BHP Billiton'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, 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.

1 Statement of accounting policies (continued)

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.

Restoration and rehabilitation

The mining 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 damage incurred at 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 unforseen 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 Mining 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.

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, BHP Billiton Limited's liability, including obligations for funding shortfalls, is determined after deducting the fair value of deducted 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 cannot 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

1 Statement of accounting policies (continued)

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.

Share-based payments

For share based payments, the fair value at grant date of equity settled share awards made by BHP Billiton Limited 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 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. 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.

Superannuation, pensions and other post-retirement benefits

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 BHP Billiton Limited'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.

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 AASB 139 ‘Financial instruments: Recognition and measurement’. 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 have been 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

1 Statement of accounting policies (continued)

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 instruments
Available for sale and trading investments are measured at fair value. Gains and losses on the re-measurement of trading investments are recognised directly in the income statement. Gains and losses on the re-measurement 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 BHP Billiton Limited's 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 assets and liabilities at the date of the financial report, and the reported revenues and expenses during the periods presented therein. On an ongoing basis, management evaluates its judgements and estimates in relations to assets and liabilities, revenue and costs. Management bases its judgements and estimates on historical experience and on various other factors that 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.

Further information concerning key sources of estimation and uncertainty that affect entities in the BHP Billiton Group including BHP Billiton Limited is detailed under "Application of Critical Accounting Policies and Estimates" within Note 1 to the BHP Billiton Group Financial Statements.

Rounding of amounts

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

Change in accounting policy

The accounting policies have been consistently applied by BHP Billiton Limited and are consistent with those applied in the prior year, except for:

Financial instruments
In the current year, BHP Billiton Limited adopted AASB 132 'Financial Instruments: Disclosure and Presentation' and 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.

1 Statement of accounting policies (continued)

- 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 hedge accounting principles whereby derivatives were matched to the 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.

The adoption of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' has had no impact on BHP Billiton Limited.

2 Revenue

	2006 US$M	2005 US$M
Dividend income	**4,775**	3,248
Management fees received from controlled entities	**128**	128
Guarantee fees	**16**	13
	4,919	3,389

3 Expenses

	2006 US$M	2005 US$M
Expenses excluding finance costs		
Information technology expenses	**19**	19
External services	**144**	79
Employee benefits expense	**167**	150
Foreign exchange loss (net)	**36**	225
Other expenses from ordinary activities	**39**	27
	405	500
Net finance costs		
Interest and finance charges paid/payable to related entities	**500**	515
Discount on pension and medical benefit entitlements	**5**	5
Return on pension plan assets	**(8)**	(5)
Interest received - external	**(11)**	(4)
Interest received from controlled entities	**(838)**	(1,144)
	(352)	(633)

4 Income tax expense

	2006 US$M	2005 US$M
Reconciliation of income tax expense		
Profit before income tax expense	**4,866**	3,522
Tax at the Australian tax rate of 30% (2005 - 30%)	**1,460**	1,057
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable dividends	**(1,424)**	(881)
Non-assessable income	**(24)**	(117)
Transfer of prior year capital losses	**10**	(26)
Withholding tax	**8**	8
Foreign exchange differences	**(13)**	54
Other items	**61**	(4)
	78	91
Income tax expense attributable to controlled entities	**1,686**	834
Income tax expense recovered from controlled entities	**(1,686)**	(834)
(Over) / under provision in prior years	**(8)**	13
Total income tax expense	**70**	104

5 Current assets – Cash at bank

	2006 US$M	2005 US$M
Cash at bank	**1**	-

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2006 US$M	2005 US$M
Balances as above	**1**	-
Bank overdrafts (note 13)	**(1)**	(1)
Balances per statement of cash flows	**-**	(1)

6 Current assets - Trade and other receivables

	2006 US$M	2005 US$M
Receivable from related entities - other	**13,089**	23,013
Receivable from controlled entities - income tax	**1,661**	840
Other receivables	**39**	7
Employee share plan loans [(a)]	**2**	2
	14,791	23,862

(a) Further details in respect of this Note are set out in Note 11 "Trade and other receivables" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

7 Current assets - Other

	2006 US$M	2005 US$M
Prepayments	**2**	3

8 Non-current assets - Trade and other receivables

	2006 US$M	2005 US$M
Receivable from related entities - other	**2,916**	3,248
Other receivables	**-**	4
Employee share plan loans	**44**	57
	2,960	3,309

9 Non-current assets – Other financial assets

	2006 US$M	2005 US$M
Shares in controlled entities - at cost	**12,825**	11,978

10 Non-current assets – Property, plant and equipment

	Land and buildings US$M	Total US$M
30 June 2006		
Cost at 1 July 2005	1	1
Accumulated depreciation	-	-
Net book value at 30 June 2006	1	1

	Land and buildings US$M	Total US$M
30 June 2005		
Cost at 1 July 2004	1	1
Accumulated depreciation	-	-
Net book value at 30 June 2005	1	1

11 Non-current assets - Deferred tax

	2006 US$M	2005 US$M
Deferred tax assets	**132**	141

Movement in the deferred tax position during the financial year is set out below:

	2006 US$M	2005 US$M
Opening balance at 1 July	**141**	71
Credit taken to profit	**(4)**	(8)
Charge taken to equity	**(2)**	(8)
Exchange differences	**(3)**	86
Closing balance at 30 June	**132**	141

Timing differences during the financial year is set out below:

	Deferred tax asset 2006 US$M	Deferred tax asset 2005 US$M	**Charge to income statement 2006 US$M**	Charge to income statement 2005 US$M
Employee entitlements	**83**	68	**10**	22
Restoration and rehabilitation	**14**	17	**(3)**	2
Other provisions	**35**	56	**(11)**	(32)
Total	**132**	141	**(4)**	(8)

Tax losses
At 30 June 2006, BHP Billiton Limited has capital tax losses with a tax benefit of US$232 million (2005: US$234 million) that have an unlimited expiry period.

The gross amounts of tax losses that have been included with deferred tax assets and liabilities are US$nil (2005: US$nil).

12 Current liabilities – Trade and other payables

	2006 US$M	2005 US$M
Trade payables	**13**	3
Payable to related entities - other	**13,703**	23,033
Other payables	**33**	42
Payable to controlled entities - income tax	**670**	593
	14,419	23,671

13 Current liabilities – Interest bearing liabilities

	2006 US$M	2005 US$M
Bank overdrafts - unsecured	**1**	1

14 Current liabilities – Provisions

	2006 US$M	2005 US$M
Employee benefits	**119**	86
Restructuring	**3**	2
Restoration and rehabilitation	**5**	11
Other provisions	**20**	12
	147	111

Movements in current provisions

Movements in each class of provision during the financial year are set out below.

	Employee benefits US$M	**Restructuring US$M**	**Restoration and rehabilitation US$M**	**Other US$M**	**Total US$M**
Carrying amount at 1 July 2005	86	2	11	12	111
Provisions made	48	1	-	8	57
Payments made	(30)	-	(6)	-	(36)
Transfers	15	-	-	-	15
Carrying amount at 30 June 2006	119	3	5	20	147

Further details in respect of this Note are set out in Note 21 “Provisions” of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

15 Current liabilities – Current tax liabilities

	2006 US$M	2005 US$M
Provision for taxation	**1,039**	376

16 Non-current liabilities – Interest bearing liabilities

	2006 US$M	2005 US$M
Loan from related entities – unsecured	**2,333**	4,348

17 Non-current liabilities - Provisions

	2006 US$M	2005 US$M
Employee benefits	**3**	14
Post-retirement benefits	**13**	15
Restoration and rehabilitation	**42**	46
Other provisions	**3**	3
	61	78

Movements in non-current provisions

Movements in each class of provision during the financial year are set out below.

	Employee benefits US$M	**Post retirement benefits US$M**	**Restoration and rehabilitation US$M**	**Other US$M**	**Total US$M**
Carrying amount at 1 July 2005	14	15	46	3	78
Provisions made/(utilised)	(3)	1	(4)	-	(6)
Payments made	-	(3)	-	-	(3)
Transfers	(8)	-	-	-	(8)
Carrying amount at 30 June 2006	3	13	42	3	61

Further details in respect of this Note are set out in Note 21 “Provisions” of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

18 Share capital

	2006 Shares	2005 Shares	**2006 US$M**	2005 US$M
Ordinary shares				
Fully paid	**3,495,949,933**	3,587,977,615	**1,202**	1,323
Partly paid to A$1.36	**195,000**	195,000	**-**	-
Special voting share of no par value	**1**	1	**-**	-
	3,496,144,934	3,588,172,616	**1,202**	1,323

Further details in respect of this Note are set out in Note 23 "Share capital" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

19 Reserves

	2006 US$M	2005 US$M
Reserves		
Asset revaluation reserve	**31**	31
General reserve	**338**	338
Employee share awards reserve	**171**	119
	540	488

	2006 US$M	2005 US$M
Movements:		
Employee share awards reserve		
Balance at 1 July	**119**	81
Accrued employee entitlements for unvested awards	**41**	35
Income tax expense on accrued employee entitlements for unvested awards	**28**	16
Exercise of employee share awards	**(17)**	(13)
Balance at 30 June	**171**	119

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment and other non-current assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

General reserve

The general reserve relates to accumulated transfers from other reserves.

Employee share awards reserve

The employee share awards reserve represents the accrued employee entitlements to share awards that have been charged to the income statement and have not yet been exercised.

20 Retained earnings

	2006 US$M	2005 US$M
Retained earnings at 1 July	**8,898**	7,791
Profit for the year	**4,796**	3,418
Dividends paid (see Note 21)	**(1,148)**	(842)
Actuarial gains on defined benefit plans recognised directly in retained earnings	**1**	-
Share buy-back	**(1,475)**	(1,481)
Employee share awards exercised following vesting	**(102)**	12
Retained earnings at 30 June	**10,970**	8,898

21 Dividends

	2006 US$M	2005 US$M
Dividends paid	**1,148**	842

Further details are set out in Note 10 "Dividends" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

22 Remuneration of directors and executive officers

Details in respect of this Note are set out in Note 31 "Key management personnel" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

23 Retirement benefits of directors

Details in respect of this Note are set out in Note 31 "Key management personnel" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

24 Remuneration of auditors

The audit fee payable in respect of the audit of the BHP Billiton Limited financial statements was a nominal amount. Details of fees for the Group as a whole are set out in Note 4 "Expenses" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

25 Contingent liabilities

	2006 US$M	2005 US$M
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from:		
Controlled entities – unsecured	**9,980**	8,203
Other unrelated parties	**72**	476
	10,052	8,679

BHP Billiton Limited has issued letters of comfort to certain subsidiary companies. The comfort letter ensures the subsidiary company is provided with the necessary level of financial support to pay existing and future debts if the company is called upon to pay those debts and is unable to do so and if, but for the letter of comfort, the subsidiary company would become insolvent.

Further details in respect of this Note are set out in Note 29 "Contingent liabilities" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

26 Commitments

Operating lease commitments

	2006 US$M	2005 US$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**22**	25
Later than one year but not later than five years	**17**	34
	39	59

27 Pensions and other post-retirement obligations

BHP Billiton Superannuation Fund

BHP Billiton Limited operates the BHP Billiton Superannuation Fund in Australia. A full actuarial valuation is prepared by the local actuary and updated annually to 30 June. The projected unit credit valuation method was used. The Fund provides final salary benefits, and mixed benefits that consist of a final salary defined benefit portion and a defined contribution portion. The following sets out details in respect of the Fund.

The year ended 30 June 2004 was the first year end balance sheet date at which BHP Billiton prepared disclosures under AASB 119. Comparative figures are therefore only available from that date.

The costs associated with the BHP Billiton Superannuation Fund are recorded by each entity in the BHP Billiton Group based on their share of employees that participate in the Fund.

The amounts recognised in the balance sheet are as follows:

	2006 US$M	2005 US$M
Present value of Funded defined benefit obligation	**357**	355
Fair value of defined benefit scheme assets	**(333)**	(316)
Deficit	**24**	39
Adjustment for employer contributions tax	**4**	7
Net liability recognised in the balance sheet	**28**	46
Amounts in the balance sheet:		
Liabilities	**28**	46
Net liability recognised in the balance sheet	**28**	46

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

The amounts recognised in the income statement are as follows:

	2006 US$M	2005 US$M
Total expense recognised in the income statement:		
Current service cost	**23**	23
Interest cost	**14**	15
Expected return on scheme assets	**(25)**	(20)
Increase in adjustment for employer contributions tax	**(1)**	-
Total expense recognised in 'expenses excluding finance costs'	**11**	18

The amounts recognised in the SORIE are as follows:

	2006 US$M	2005 US$M
Total amount recognised in SORIE:		
Actuarial gains [(a)]	**(9)**	(12)
Total amounts recognised in SORIE	**(9)**	(12)
Total cumulative amount to the balance sheet date of actuarial gains recognised in SORIE	**(21)**	(12)

(a) Actuarial gains are net of adjustments for employer contributions tax of US$2 million (2005: US$2 million)

27 Pensions and other post-retirement obligations (continued)

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

	2006 US$M	2005 US$M
Actual return on assets	**34**	49

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

	2006 US$M	2005 US$M
Defined benefit obligations at beginning of year	**355**	289
Current service cost	**23**	23
Interest cost	**14**	15
Contributions by scheme participants	**7**	8
Actuarial losses on benefit obligation	**2**	19
Benefits paid	**(33)**	(30)
Currency exchange gains/(losses)	**(11)**	31
Defined benefit obligation at end of year	**357**	355

The changes in the scheme assets are as follows:

	2006 US$M	2005 US$M
Fair value of scheme assets at beginning of year	**316**	242
Expected return on scheme assets	**25**	20
Actuarial gains on scheme assets	**9**	29
Employer contributions	**19**	20
Contributions by scheme participants	**7**	8
Benefits paid	**(33)**	(30)
Currency exchange (gains)/losses	**(10)**	27
Fair value of scheme assets at end of year	**333**	316

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

	2006 US$M	2005 US$M
Bonds	**183**	85
Equities	**127**	196
Property	**21**	25
Other	**2**	10
Total	**333**	316

Scheme assets classified as ‘Other’ as at 30 June 2006 primarily comprise of investments in hedge funds and private equity.

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.

27 Pensions and other post-retirement obligations (continued)

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

	2006 %	2005 %
Discount rate	**4.9**	4.3
Future salary increases	**4.0**	4.0
Expected rate of return on scheme assets	**6.0**	8.1

The present value of defined benefit obligations, the fair value of scheme assets and associated experience adjustments are as follows:

	2006 US$M	2005 US$M
Present value of defined benefit obligation	**357**	355
Fair value of defined benefit scheme assets	**(333)**	(316)
Deficit in the scheme	**24**	39
Experience adjustments to scheme liabilities	**(15)**	(2)
Experience adjustments to scheme assets	**9**	29

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

	2007 US$M
Estimated employer contributions	**19**
Estimated contributions by scheme participants	**2**

28 Related party transactions

(a) Key management personnel disclosures

Disclosures related to key management personnel are set out in Note 31 "Key management personnel" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

(b) Controlled and related entities

Information relating to controlled and related entities are contained in the following notes:

Note 2: Revenue

Note 3: Expenses

Note 6: Trade and other receivables

Note 9: Other financial assets

Note 12: Trade and other payables

Note 16: Interest bearing liabilities

Note 25: Contingent liabilities

Further disclosures related to controlled entities are set out in Note 38 "Subsidiaries" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

28 Related party transactions (continued)

(c) BHP Billiton Plc

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed Company, and BHP Billiton Plc (previously known as Billiton Plc), a UK Listed Company, entered into a Dual Listed Companies (DLC) merger. For an explanation of the DLC arrangements, refer to "Dual Listed Companies structure and basis of preparation of financial statements" in note 1 of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

29 Employee share ownership plans

Details in respect of this Note are set out in Note 27 "Employee share ownership plans" of the BHP Billiton Group Financial Statements for the year ended 30 June 2006.

30 Subsequent events

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may affect the operations, the results of operations or the state of affairs of the Company.

31 Notes to the cash flow statement

	2006 US$M	2005 US$M
Reconciliation of net cash provided by operating activities to net profit after tax		
Profit after tax	**4,796**	3,418
Depreciation	**-**	1
Change in assets and liabilities		
Decrease in sundry and other receivables	**-**	17
(Increase)/decrease in prepayments and deferred charges	**1**	(1)
Increase/(decrease) in deferred taxes	**(164)**	525
Increase/(decrease) increase in trade payables	**10**	(5)
Increase/(decrease) increase in sundry other payables	**(11)**	20
Decrease in provision for income taxes payable	**(1,046)**	(656)
Increase in other provisions and liabilities	**13**	14
Net cash inflow from operating activities	**3,599**	3,333

32 Non-cash financing and investing activities

	2006 US$M	2005 US$M
Employee share plan instalments	**2**	2

The Employee share plan loan instalments represent the repayment of loans outstanding with BHP Billiton Limited, by application of dividends.

33 Financing facilities

	2006 US$M	2005 US$M
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	**1**	1
Amount unused	**7**	7
Total facility available	**8**	8

34 Transition to Australian equivalents to International Financial Reporting Standards ('AIFRS')

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 AIFRS balance sheet at 1 July 2004.

In preparing its opening AIFRS balance sheet, BHP Billiton Limited 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 Australian GAAP to AIFRS has affected BHP Billiton Limited's financial position and financial performance is set out in the following tables.

The amounts presented below differ to the amounts presented in the note on the impact of adopting AIFRS in the financial statements for the year ended 30 June 2005. This follows the presentation of the financial statements in US dollars, as the functional currency of BHP Billiton Limited is US dollars. The amounts in the tables below are presented based on the application of US dollar functional currency from the date of transition to AIFRS.

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

Reconciliation of net equity

		2005 Million		2004 Million
Net equity reported under Australian GAAP	A$	20,640	A$	19,215
Net equity reported under Australian GAAP translated to US$ at year end rate	US$	15,755	US$	13,253
Impact of applying AASB 121 " The effects of changes in foreign exchange rates" functional currency principles	US$	(5,049)	US$	(3,408)
Net equity as previously reported under Australian GAAP restated to US$ functional and presentation currency	US$	10,706	US$	9,845
AASB 119 Post-retirement pension obligations - pre tax	US$	(16)	US$	(19)
AASB 119 Post-retirement pension obligations - deferred tax effect	US$	4	US$	5
AASB 2 Equity based compensation payments - tax effect	US$	15	US$	1
Net equity in accordance with AIFRS	US$	10,709	US$	9,832
Overall net increase/(decrease) in equity under AIFRS	US$	3	US$	(13)

The following table presents a summary of the impacts of AIFRS on profit before tax and income tax expense for the year ended 30 June 2005.

Reconciliation of profit before tax

		2005 Million
Net profit before tax reported under Australian GAAP	A$	4,820
Net profit before tax reported under Australian GAAP translated to US$ at average rate	US$	3,628
Impact of applying AASB 121 " The effects of changes in foreign exchange rates" functional currency principles	US$	(56)
Net profit before tax as previously reported under Australian GAAP restated to US$ functional and presentation currency	US$	3,572
AASB 119 Post-retirement pension obligations	US$	(12)
AASB 2 Equity based compensation payments to employees	US$	(38)
Net profit before tax in accordance with AIFRS	US$	3,522
Overall net decrease in profit before tax under AIFRS	US$	(50)

34 Transition to Australian equivalents to International Financial Reporting Standards ('AIFRS') continued

Reconciliation of income tax expense

		2005 Million
Income tax expense reported under Australian GAAP	A$	125
Income tax expense reported under Australian GAAP translated to US$ at average rate	US$	92
Impact of applying AASB 121 " The effects of changes in foreign exchange rates" functional currency principles	US$	(1)
Income tax expense as previously reported under Australian GAAP restated to US$ functional and presentation currency	US$	91
AASB 119 Post-retirement pension obligations – tax impact	US$	12
AASB 2 Equity based compensation payments to employees	US$	1
Income tax expense in accordance with AIFRS	US$	104
Overall net increase in income tax expense under AIFRS	US$	13

BHP Billiton Limited (single parent entity)
Directors' declaration
30 June 2006

As stated in Note 1 to the financial statements, the Directors have prepared this financial report in accordance with the Australian Securities and Investment Commission order dated 8 September 2006, which granted relief from specific requirements of subsection 296(1) of the Corporations Act 2001.

In the opinion of the Directors of BHP Billiton Limited:

(a) The financial statements and notes set out on pages 2 to 26 are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (ii) giving a true and fair view of the financial position of BHP Billiton Limited as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

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

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2006 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

D R Argus

Director

C W Goodyear

Director

11 September 2006

KPMG

Independent audit report to the members of BHP Billiton Limited

Scope

We have audited the financial report of BHP Billiton Limited ("the Company") for the financial year ended 30 June 2006, consisting of the income statement, statement of recognised income and expense, balance sheet, statement of cash flows, accompanying notes 1 to 34, and the directors' declaration set out on pages 2 to 27.

As disclosed in Note 1 "Statement of Accounting Policies", the directors have prepared this financial report in accordance with the Australian Securities and Investment Commission order dated 8 September 2006, which provides certain amendments to the financial reporting obligations and disclosure requirements of the Corporation Act 2001.

The Company's directors are responsible for the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of BHP Billiton Limited is in accordance with:

a) the Corporations Act 2001 as amended by the Australian Securities and Investment Commission order dated 8 September 2006 including:

   i. giving a true and fair view of the Company's financial position as at 30 June 2006 and its performance for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

Peter Nash
Partner

Place: Melbourne

Date: 11 September 2006