

BHP Billiton Finance Limited

ABN 82 008 519 319

General Purpose Financial Report for the year ended 30 June 2018

BHP Billiton Finance Limited
General Purpose Financial Report
30 June 2018

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Directors' report

The directors present their report on BHP Billiton Finance Limited (the Company) for the year ended 30 June 2018 and the auditor's report thereon.

Directors

The following persons were directors of the Company at any time during or since the end of the financial year until the date of this report:

Vandita Pant
Graham Clifford Tiver
Roderick John Douglas Mainland (Appointed on 26 March 2018)
Carolyn Louise Pedic (Appointed on 26 March 2018)
Yogendran Thevaraj (Resigned on 6 March 2018)

Company Secretary

Angeli Gayfer

Principal activities

During the year the principal activities of the Company were to hold non-USD denominated bonds including Euro and Sterling Bonds, as well as provide finance to related corporations. There have been no significant changes in the nature of the activities of the Company.

BHP Billiton Finance Limited is a Company limited by shares, the registered office is located at:

Level 15
BHP Billiton Centre
171 Collins Street
Melbourne VIC 3000
Australia

BHP Billiton Finance Limited is a wholly owned direct subsidiary of BHP Billiton Limited. BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) and BHP Billiton Limited (the ultimate parent entity of the Company) and its subsidiaries (the BHP Billiton Limited Group) operate together as a single economic entity and are referred to hereafter as the Group.

Dividends

No dividends were paid, declared or recommended during the financial year ended 30 June 2018 (2017: US\$nil).

As at the date of this report and since year end, the directors have not declared, determined or publicly recommended the payment of any dividends.

Review of operations

The net profit after tax for the financial year ended 30 June 2018 is US\$62,174 thousand (2017: net loss of US\$243,841 thousand).

The reduction in net loss by US\$306,015 thousand is due to decline in net finance costs and no impairment of receivables during the year. The Company incurred lower net finance cost due to lower interest expense on reduced external debts.

Directors' report (continued)

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the year ended 30 June 2018.

Matters subsequent to the end of the financial year and likely developments

There have been no significant events affecting the Company since the end of the financial year.

Insurance of officers

During the financial year the Company has insured against amounts that it may be liable to pay directors, secretaries or certain employees if applicable.

The insurance policy insures directors, secretaries and employees of the Company (if applicable) against certain liabilities (including legal costs) they may incur in carrying out their duties for the Company.

The premium is borne by the ultimate parent entity, BHP Billiton Limited, and is not allocated directly to the Company.

Directors' remuneration

The directors of the Company do not receive compensation in direct exchange for services rendered to the Company.

Rounding of amounts

The Company is a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the directors' report for the year ended 30 June 2018.


Each person who held the office of director at the date the directors resolved to approve this directors' report makes the following statement:

- So far as the director is aware, there is no relevant audit information of which the external auditors are unaware;
- The director has taken all steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the external auditors are aware of that information.

Going concern

The financial statements have been prepared on the going concern basis. The Company has current liabilities in excess of current assets of US\$3,091,901 thousand (2017: net current assets US\$12,840,728 thousand) and net assets of US\$579,274 thousand (2017: US\$622,766 thousand) at 30 June 2018. The Directors believe that the going concern basis is appropriate, given the Company expect further funding as necessary to be available from the parent company. Although the Company is in a net current liability position, the parent company has committed to provide financial support to the Company to meet its liabilities as they fall due. Subsequent to 30 June 2018, the ultimate parent entity provided a letter of comfort for the next twelve months outlining the above.

This report is made in accordance with a resolution of directors pursuant to section 298 (2) of the Corporations Act 2001.



Graham Clifford Tiver
Director

Dated at Melbourne this 26th day of October 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of BHP Billiton Finance Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of BHP Billiton Finance Limited for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'M. Aranceda', written over a horizontal line.

Maritza Aranceda

Partner

Melbourne

26 October 2018

BHP Billiton Finance Limited
Income Statement
For the year ended 30 June 2018

	Note	2018 US\$'000	2017 US\$'000
Guarantee fees		8,869	3,983
Impairment of receivable		-	(137,180)
Operating (expense) / income excluding net finance expenses	2	(10,444)	9,751
Loss from operations		(1,575)	(123,446)
Finance income	3	1,372,931	1,085,320
Finance costs	3	(1,412,942)	(1,240,682)
Net finance costs		(40,011)	(155,362)
Loss before income tax		(41,586)	(278,808)
Income tax benefit	4	103,760	34,967
Profit / (loss) after income tax		62,174	(243,841)

The accompanying notes form part of these financial statements

BHP Billiton Finance Limited
Statement of Other Comprehensive Income
For the year ended 30 June 2018

		2018	2017
		US\$'000	US\$'000
Profit / (loss) after income tax		62,174	(243,841)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
Gains taken to equity	12	64,494	340,739
Losses transferred to the income statement	12	(215,445)	(431,947)
Tax recognised within other comprehensive income	12	45,285	27,362
Total other comprehensive loss		(105,666)	(63,846)
Total comprehensive loss for the year		(43,492)	(307,687)
Attributable to member of BHP Billiton Finance Limited		(43,492)	(307,687)

The accompanying notes form part of these financial statements

BHP Billiton Finance Limited
Balance Sheet
As at 30 June 2018

	Note	2018 US\$'000	2017 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	15	10,099,341	9,618,193
Receivables	6	195,354	16,972
Other financial assets	7	14,120,070	25,684,827
Total current assets		<u>24,414,765</u>	<u>35,319,992</u>
Non-current assets			
Other financial assets	7	25,635,362	17,353,657
Total non-current assets		<u>25,635,362</u>	<u>17,353,657</u>
Total assets		<u>50,050,127</u>	<u>52,673,649</u>
LIABILITIES			
Current liabilities			
Payables	8	332,819	355,834
Interest bearing liabilities	9	27,055,665	21,874,782
Other financial liabilities	10	118,182	248,648
Total current liabilities		<u>27,506,666</u>	<u>22,479,264</u>
Non-current liabilities			
Interest bearing liabilities	9	21,327,350	28,526,707
Other financial liabilities	10	590,437	978,298
Deferred tax liabilities	4	46,400	66,614
Total non-current liabilities		<u>21,964,187</u>	<u>29,571,619</u>
Total liabilities		<u>49,470,853</u>	<u>52,050,883</u>
NET ASSETS		<u>579,274</u>	<u>622,766</u>
EQUITY			
Share capital	11	783,370	783,370
Reserves	12	52,946	158,612
Accumulated losses	13	(257,042)	(319,216)
Total equity		<u>579,274</u>	<u>622,766</u>

The accompanying notes form part of these financial statements

BHP Billiton Finance Limited
Cash Flow Statement
For the year ended 30 June 2018

	2018 US\$'000	2017 US\$'000
Operating activities		
Loss before income tax		
Loss from operations	(1,575)	(123,446)
Finance income	1,372,931	1,085,320
Finance costs	(1,412,942)	(1,240,682)
	(41,586)	(278,808)
<i>Adjustments for:</i>		
Finance income	(1,372,931)	(1,085,320)
Finance costs	1,412,942	1,240,682
Net foreign exchange differences on cash	2,228	(12,497)
Net foreign exchange differences on receivables from related parties	(1,488)	310
Net foreign exchange differences on derivatives	(200,428)	(139,683)
Net foreign exchange differences on debt	245,374	148,228
Change in assets and liabilities:		
Net other financial assets and liabilities	81,917	61,151
Cash generated from operations	126,028	(65,937)
Interest received	1,323,873	1,082,446
Interest paid	(1,430,168)	(1,205,347)
Income taxes paid	(6,282)	(358,835)
Net operating cash flows	13,451	(547,673)
Financing activities		
Loans and borrowings to related parties	(910,542)	(266,435)
Repayments of loans from related parties	5,708,941	7,038,833
Repayments of borrowings to related parties	(6,148,810)	(4,312,817)
Proceeds of borrowings from related parties	4,874,440	5,265,088
Repayments of borrowings to third parties	(2,736,004)	-
Settlement of derivatives and cash management related instruments	(318,100)	(8,910)
Net financing cash flows	469,925	7,715,759
Net increase in cash and cash equivalents	483,376	7,168,086
Cash and cash equivalents at the beginning of the financial year	9,618,193	2,437,610
Effect of foreign currency exchange rate changes on cash and cash equivalents	(2,228)	12,497
Cash and cash equivalents at end of year	10,099,341	9,618,193

The accompanying notes form part of these financial statements

BHP Billiton Finance Limited
Statement of Changes in Equity
For the year ended 30 June 2018

	Share capital US\$'000	Capital redemption reserve US\$'000	Hedging reserve – cash flow hedges US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance at 1 July 2017	783,370	505	158,107	(319,216)	622,766
Total comprehensive loss for the year	-	-	(105,666)	62,174	(43,492)
Balance at 30 June 2018	783,370	505	52,441	(257,042)	579,274

	Share capital US\$'000	Capital redemption reserve US\$'000	Hedging reserve – cash flow hedges US\$'000	Accumulated losses US\$'000	Total US\$'000
Balance at 1 July 2016	783,370	505	221,953	(75,375)	930,453
Total comprehensive income for the year	-	-	(63,846)	(243,841)	(307,687)
Balance at 30 June 2017	783,370	505	158,107	(319,216)	622,766

The accompanying notes form part of these financial statements

1 Accounting policies

The principal accounting policies adopted in the preparation of this general purpose financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BHP Billiton Finance Limited (hereafter referred to as the Company) is a wholly owned subsidiary of BHP Billiton Limited. BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity and are referred to hereafter as the Group. The nature of the operations and principal activities of the Company are described in the Directors' report.

Basis of preparation

This general purpose, for-profit financial report for the year ended 30 June 2018 has been prepared on a going concern basis and in accordance with the requirements of the Australian Corporations Act 2001 and with Australian Accounting Standards, being Australian equivalents to International Financial Reporting Standards (IFRS) and interpretations as issued by the Australian Accounting Standards Board (AASB) effective for the year ended 30 June 2018.

There are no new or amended accounting standards or interpretations adopted for the first time during the year that have a significant impact on these financial statements.

Issued but not yet effective

The following significant accounting standards and interpretations will become effective for future financial reporting periods and have not been adopted by the Company in these financial statements. There are no other standards and interpretations issued but not yet effective that are expected to have a material impact on the income statement or net assets of the Company.

Applicable from 1 July 2018

The following accounting standards and interpretations which are deemed to be significant to the Company are applicable from 1 July 2018. The impacts of these are currently expected to be immaterial, although industry application of these standards continues to develop.

- **IFRS 9/AASB 9 'Financial Instruments'**

This standard revises the classification and measurement of financial assets and financial liabilities, introduces a forward looking 'expected credit loss' impairment model and modifies the approach to hedge accounting.

1 Accounting policies (continued)

- **IFRS 9/AASB 9 'Financial Instruments' (continued)**

The Company has undertaken a comprehensive analysis of the impact of the new standard based on the financial instruments it holds and the way in which they are used with no material impact on the face of balance sheet or in the income statement expected. However, there will be presentational changes in some of note disclosures, as well as additional disclosures around classification and measurement of financial instruments. Adoption impacts include:

- The new standard requires classification and measurement of financial assets based on the business model in which they are managed and their cash flow characteristics. Under the new standard, the Company's financial assets will be classified as measured at amortised cost, fair value through profit or loss, or fair value through equity. No significant measurement impacts have been identified as a result of reclassifying financial assets into the categories required by the new standard. For financial liabilities, the current classification and measurement requirements are largely retained.
- Financial assets carried at amortised cost must be tested for impairment based on expected losses, as opposed to the current policy of recognising impairments only when there is objective evidence that a credit loss is present. Management does not anticipate any losses from its internal counterparties based on its assessment. Further description is contained in Credit risk section in Note 14 Financial risk management.
- The new standard amends the rules on hedge accounting to enable closer alignment between the Company's risk management strategy and the accounting outcomes. The standard broadens the scope of arrangements that may qualify for hedge accounting and allows for simplification of hedge designations. Certain of the Company's derivatives will be designated into simplified hedging relationships from 1 July 2018, with no material impact to net assets expected. Other changes under the standard mean that hedge effectiveness is only considered on a prospective basis with no set quantitative thresholds, certain costs of hedging, previously taken to the income statement, will be recognised directly in equity and voluntary de-designation of hedges is prohibited. The Company will monitor increased opportunities to apply hedge accounting in the future.

The Company will adjust the opening balance sheet as of 1 July 2018, with no restatement of comparatives required.

- **IFRIC 22 'Foreign Currency Transactions and Advance Consideration'**

This interpretation clarifies the exchange rate to use on initial recognition of the related asset, expense or income when an entity receives or pays advance consideration in a foreign currency. The Company has made some minor changes to processes to comply this interpretation.

1 Accounting policies (continued)

The following accounting standards and interpretations are applicable to the Company from 1 July 2019 and beyond.

- **IFRIC 23 'Uncertainty over Income Tax Treatments'**

This interpretation clarifies the application of the recognition and measurement requirements in IAS 12/AASB 112 'Income Taxes' for calculating provisions for uncertain tax positions. The Company is currently assessing the impact of the interpretation on its financial statements.

- **Conceptual Framework for Financial Reporting**

The revised framework may affect the application of IFRS in situations where no standard applies to a specific transaction or event. The Company is currently assessing the impact of the revised framework on its financial statements.

Basis of measurement

The financial statements are drawn up on the basis of historical cost principles, except for derivative financial instruments and certain other financial assets, which are carried at fair value.

Rounding of amounts

The Company is a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Change in accounting policy

The accounting policies have been consistently applied by the Company and are consistent with those applied in all prior years presented.

Going concern basis

The financial statements have been prepared on the going concern basis. The Company has current liabilities in excess of current assets of US\$3,091,901 thousand (2017: net current assets US\$12,840,728 thousand) and net assets of US\$579,274 thousand (2017: US\$622,766 thousand) at 30 June 2018. The Directors believe that the going concern basis is appropriate, given the Company expect further funding as necessary to be available from the parent company. Although the Company is in a net current liability position, the parent company has committed to provide financial support to the Company to meet its liabilities as they fall due. Subsequent to 30 June 2018, the ultimate parent entity provided a letter of comfort for the next twelve months outlining the above.

Comparatives

Where applicable, comparatives have been adjusted to measure or present them on the same basis as current period figures.

1 Accounting policies (continued)

Foreign currencies

The Company's presentation currency and functional currency is the US dollar as this is assessed to be the principal currency of the economic environments in which it operates.

Transactions denominated in foreign currencies (currencies other than the functional currency) 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 prevailing at year-end and the gains or losses on retranslation are included in the income statement.

Exchange rates

The following exchange rates relative to the US dollar have been applied in the financial statements:

	Average year ended 30 June 2018	Average year ended 30 June 2017	As at 30 June 2018	As at 30 June 2017
Australian dollar	0.78	0.75	0.74	0.77
Canadian dollar	1.27	1.33	1.31	1.30
Euro	0.84	0.92	0.86	0.89
UK pound sterling	0.74	0.79	0.75	0.77

Financial income and costs

Financial income comprises, where applicable, interest income on funds invested; and exchange gains on net debt. Interest income is recognised as it accrues in the income statement using the applicable effective interest rate.

Financial costs comprises where applicable interest expense on borrowings, unwinding of the discount on borrowings, net fair value losses on liabilities which are subject to fair value hedge accounting and related hedging derivatives, exchange losses on net debt and impairment losses recognised on financial assets. Realised fair value changes on non-hedging derivatives used to manage interest rate exposure on debt securities are recognised in interest and finance charges paid/payable. Unrealised fair value changes on non-hedging derivatives used to manage interest rate exposure on debt securities are recognised in fair value changes on derivatives. All borrowing costs are recognised through the income statement using the effective interest rate method for external borrowings and the applicable effective interest rate for other borrowings.

Foreign currency gains and losses are reported on a net basis.

1 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 is 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.

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 Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not 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 Company has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

Tax consolidation

The Company is part of an Australian tax consolidated group, whereby members are taxed as a single entity. The head entity within the tax consolidated group is BHP Billiton Limited. The entities within the tax consolidated group have entered into a tax sharing agreement and a tax contribution agreement with the head entity. The accounting for taxes of each entity in the consolidated tax group are determined and recognised as if it continued to be a separately taxable entity in its own right. This method of accounting for taxes requires the calculation of income tax expense as if the entity had not been a member of the tax consolidated group. Under the tax contribution agreement the entities in the tax consolidated group agree to pay a tax equivalent amount to the head entity for current income tax payable or to receive a tax equivalent amount from the head entity for current income tax receivable and/or tax losses. The tax sharing agreement provides the method of allocating tax liabilities should the head entity default on its tax payment obligations.

1 Accounting policies (continued)

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.

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. 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 or loss, 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 or loss where this is necessary to reduce measurement inconsistencies for related assets and liabilities. All financial liabilities other than derivatives are initially recognised at fair value of consideration received net of transaction costs as appropriate (initial cost) and, with the exception of financial liabilities which have been designated in fair value hedging relationships, are subsequently 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 Company's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling credit and other risks implicit in such estimates.

Forward exchange contracts and interest rate swaps held for hedging purposes are accounted for as either cash flow or fair value hedges. Derivatives embedded within other contractual arrangements and the majority of commodity-based transactions executed through derivative contracts do not qualify for hedge accounting.

Fair value hedges

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.

1 Accounting policies (continued)

Cash flow hedges

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 to 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 carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge ceases to meet 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.

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 amounts of assets, liabilities, contingent liabilities, revenues and expenses reported in the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the basis of the reported amounts that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The Company 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.

Recoverability of receivables

The collectability of trade receivables is assessed continuously. At the reporting date, specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at reporting period-end. Individual receivables are written off when management deems them unrecoverable. The net carrying amount of trade and other receivables approximates their fair values. Further description is contained in Credit risk section in Note 14 Financial risk management.

Quantitative and qualitative disclosures about market risk

The Company's principal market risks are identified in Note 14. A description of how the Company manage its market risks, including both quantitative and qualitative information about market risk sensitive instruments outstanding at 30 June 2018, is contained in Note 14 Financial risk

BHP Billiton Finance Limited
Notes to Financial Statements
For the year ended 30 June 2018

2 Operating (expense) / income excluding net finance expenses

	2018 US\$'000	2017 US\$'000
Net foreign exchange (loss) / gain on non-financing transactions	(2,228)	11,810
Management fees	(107)	-
Consultant fees	(7,190)	(2,007)
All other operating expenses	(919)	(52)
	<u>(10,444)</u>	<u>9,751</u>

3 Net finance costs

	2018 US\$'000	2017 US\$'000
<i>Finance income</i>		
Interest received / receivable from non related parties	169,781	29,948
Interest received / receivable from related parties	1,203,150	1,055,372
	<u>1,372,931</u>	<u>1,085,320</u>
<i>Finance costs</i>		
Interest paid / payable to non-related parties	(471,160)	(480,727)
Interest paid / payable to related parties ^(a)	(920,752)	(712,435)
Fair value change on hedged loans – (loss) / gain	(1,917)	607,045
Fair value change on derivatives – loss ^(b)	(28,640)	(656,285)
Net exchange differences on loans and derivatives transactions	9,527	1,720
	<u>(1,412,942)</u>	<u>(1,240,682)</u>
	<u>(40,011)</u>	<u>(155,362)</u>

(a) Interest paid / payable to related parties exclude any realised fair value losses on non-hedging derivatives used to manage interest rate exposure on debt securities. The net realised and unrealised gain on these derivatives is US\$nil (2017: US\$nil), refer to (b).

(b) Loss on fair value changes of derivatives of US\$28,640 thousand (2017: loss of US\$656,285 thousand) include fair value loss of US\$17,013 thousand on hedging derivatives used to manage interest rate exposure on debt securities (2017: fair value loss of US\$645,505 thousand), and fair value loss on foreign exchange trades amounting to US\$11,627 thousand (2017: losses of US\$10,780 thousand).

4 Income tax benefit

	2018 US\$'000	2017 US\$'000
Income tax expense comprises:		
- Current tax (expense)/benefit	29,802	19,033
- Prior year over provision	99,028	-
Deferred tax (expense) / benefit	(25,070)	15,934
	<u>103,760</u>	<u>34,967</u>

BHP Billiton Finance Limited
Notes to Financial Statements
For the year ended 30 June 2018

4 Income tax benefit (continued)

The reconciliation of the Company's income tax benefit is as follows:

	2018	2017
	US\$'000	US\$'000
Factors affecting income tax benefit for the period		
Income tax expense differs to the standard rate of corporation tax as follows:		
Loss before income tax	(41,586)	(278,808)
Tax at the standard Australian tax rate of 30 per cent	12,476	83,642
Tax effect of amounts which are (not deductible) / taxable in calculating taxable income:		
Foreign exchange losses on income tax receivable	(7,743)	(7,521)
Non-deductible expense	-	(41,154)
Prior year over provision	99,027	-
Income taxation benefit	103,760	34,967

The movement for the year in the Company's net deferred tax position is as follows:

	2018	2017
	US\$'000	US\$'000
Net deferred tax liability		
Opening balance	(66,614)	(108,920)
Income tax credit recorded in the income statement	(25,070)	15,934
Income tax credit recorded directly in equity ^(a)	45,284	27,362
Other	-	(990)
At the end of the financial year	(46,400)	(66,614)

(a) The amounts charged directly to other comprehensive income relate to deferred tax relating to fair value gains/losses on effective cash flow hedges.

The composition of the Company's net deferred tax asset and liability recognised in the balance sheet and the deferred tax expense credited to the income statement is as follows:

	Net deferred tax liability		Credited to the income statement	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Type of temporary difference				
Foreign exchange gains	(80,479)	(71,354)	(9,422)	7,157
Fair value adjustment on related party swaps and loans	34,079	4,740	(15,648)	8,777
	(46,400)	(66,614)	(25,070)	15,934

5 Dividends

During the year, no dividends were paid to BHP Billiton Limited (2017: US\$nil).

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Notes to Financial Statements
For the year ended 30 June 2018

6 Receivables

	2018	2017
	US\$'000	US\$'000
Current		
Related party receivable - Income tax receivable by ultimate parent on behalf of the Company	129,324	-
Accrued interest due from related parties	65,496	16,422
Withholding tax receivable	534	550
Total current receivables	195,354	16,972

7 Other financial assets

	2018	2017
	US\$'000	US\$'000
Current		
At fair value		
Cross currency and interest rate swaps - related parties	8,121	-
Forward exchange contracts - related parties	16	20
	8,137	20
At amortised cost		
Receivables from related parties - interest bearing	14,110,808	25,683,457
Capitalised fees	1,125	1,350
	14,111,933	25,684,807
Total current other financial assets	14,120,070	25,684,827
Non-current		
Cross currency and interest rate swaps – related parties	425,418	651,614
	425,418	651,614
At amortised cost		
Receivables from related parties - interest bearing	25,209,944	16,700,918
Capitalised fees	-	1,125
	25,209,944	16,702,043
Total non-current other financial assets	25,635,362	17,353,657

8 Payables

	2018	2017
	US\$'000	US\$'000
Current		
Income tax payable by ultimate parent on behalf of the Company	-	5,789
Payables – accrued interest related parties	116,347	111,327
Payables – accrued interest non-related parties	216,472	238,555
Payables – other	-	163
	332,819	355,834

BHP Billiton Finance Limited
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9 Interest bearing liabilities

	2018	2017
	US\$'000	US\$'000
Current		
Notes and debentures	1,455,721	770,584
Loans from ultimate parent entity	13,450,920	11,506,858
Loans from other related parties	12,111,180	9,562,708
Bank overdraft	37,844	34,632
Total current interest bearing liabilities	27,055,665	21,874,782
Non-current		
Notes and debentures	12,087,501	15,253,242
Loans from other related parties	9,239,849	13,273,465
Total non-current interest bearing liabilities	21,327,350	28,526,707

10 Other financial liabilities

	2018	2017
	US\$'000	US\$'000
Current		
At fair value		
Cross currency and interest rate swaps - related parties	117,969	248,603
Forward exchange contracts - related parties	213	45
Total current other financial liabilities	118,182	248,648
Non-current		
Cross currency and interest rate swaps - related parties	590,437	978,298
Total non-current other financial liabilities	590,437	978,298

11 Share capital

	2018	2017	2018	2017
	Shares	Shares	US\$'000	US\$'000
Share capital				
Ordinary shares - fully paid	1,550,000,002	1,550,000,002	783,370	783,370

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

BHP Billiton Finance Limited
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12 Reserves

	2018 US\$'000	2017 US\$'000
Capital redemption reserve		
Opening balance	505	505
Closing balance	505	505

Capital redemption reserve represents the redemption of share capital from shareholders, in relation to redeemed preference shares.

	2018 US\$'000	2017 US\$'000
Hedging reserve – cash flow hedges		
Opening balance	158,107	221,953
Gains taken to equity	64,494	340,739
Losses transferred to the income statement	(215,445)	(431,947)
Deferred tax relating to cash flow hedges	45,285	27,362
Total other comprehensive income	(105,666)	(63,846)
Closing balance	52,441	158,107

13 Accumulated losses

	2018 US\$'000	2017 US\$'000
Opening balance	(319,216)	(75,375)
Profit / (loss) attributable to member of BHP Billiton Finance Limited	62,174	(243,841)
Accumulated losses closing balance	(257,042)	(319,216)

14 Financial risk management

Financial and capital risk management strategy

The financial risks arising from the Company's operations comprise market, liquidity and credit risk. These risks arise in the normal course of business and the Company manages its exposure to them in accordance with the Group's portfolio risk management strategy. The objective of the strategy is to support the delivery of the Group's financial targets, while protecting its future financial security and flexibility by taking advantage of the natural diversification provided by the scale, diversity and flexibility of the Group's operations and activities.

A Cash Flow at Risk (CFaR) framework is used to measure the aggregate and diversified impact of financial risks upon the Group's financial targets. The principal measurement of risk is CFaR measured on a portfolio basis, which is defined as 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 90 per cent.

14 Financial risk management (continued)

Market risk

The Company's activities expose it to market risks associated with movements in interest rates and foreign currencies. Under the strategy outlined above, the Company seeks to achieve financing costs and currency impacts on a floating or index basis. This strategy gives rise to a risk of variability in earnings, which is measured under the CFaR framework.

In executing the strategy, financial instruments are potentially employed in three distinct but related activities. The following table summarises these activities and the key risk management processes:

Activity	Key risk management processes
1. Risk mitigation On an exception basis, hedging for the purposes of mitigating risk related to specific and significant expenditure on investments or capital projects will be executed if necessary to support the Group's strategic objectives.	<ul style="list-style-type: none"> • Execution of transactions within approved mandates.
2. Economic hedging of debt instruments Where debt is issued in a currency other than the US dollar and/or at a fixed interest rate, fair value and cash flow hedges may be executed to align the debt exposure with the Group's functional currency of US dollars and/or to swap to a floating interest rate.	<ul style="list-style-type: none"> • Measuring and reporting the exposure in issued debt instruments. • Executing hedging derivatives to align the total Group exposure to the index target.
3. Strategic financial transactions Opportunistic transactions may be executed with financial instruments to capture value from perceived market over/under valuations.	<ul style="list-style-type: none"> • Execution of transactions within approved mandates.

Primary responsibility for the identification and control of financial risks, including authorising and monitoring the use of financial instruments for the above activities and stipulating policy thereon, rests with the Group Financial Risk Management Committee under authority delegated by the Chief Executive Officer.

Interest rate risk

The Company is exposed to interest rate risk on its outstanding borrowings and investments from the possibility that changes in interest rates will affect future cash flows or the fair value of fixed interest rate financial instruments. Interest rate risk is managed as part of the Group's portfolio risk management strategy.

The majority of the Company's debt is issued at fixed interest rates. The Company has entered into interest rate swaps and cross currency interest rate swaps to convert most of its fixed interest rate exposure to floating US dollar interest rate exposure. As at 30 June 2018, 94 per cent of the Company's borrowings were exposed to floating interest rates inclusive of the effect of swaps (2017: 94 per cent).

14 Financial risk management (continued)

Interest rate risk (continued)

The fair value of interest rate swaps and cross currency interest rate swaps in hedge relationships used to hedge both interest rate and foreign currency risks are shown in the fair values section of this note.

Based on the net debt position as at 30 June 2018, taking into account interest rate swaps and cross currency interest rate swaps, it is estimated that a one percentage point increase in the US LIBOR interest rate will decrease the Company's equity and profit after taxation by US\$33,255 thousand (2017: decrease of US\$89,633 thousand). This assumes the change in interest rates is effective from the beginning of the financial year and the fixed/floating mix and balances are constant over the year. However, interest rates and the net debt profile of the Group may not remain constant over the coming financial year and therefore such sensitivity analysis should be used with care.

Currency risk

The US dollar is the predominant functional currency within the Company and as a result, currency exposures arise from transactions and balances in currencies other than the US dollar. The Company's potential currency exposures comprise:

- translational exposure in respect of non-functional currency monetary items;
- transactional exposure in respect of non-functional currency expenditure and revenues.

The Company's foreign currency risk is managed as part of the Group's portfolio risk management strategy.

Translational exposure in respect of non-functional currency monetary items

Monetary items, including financial assets and liabilities, 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.

The principal non-functional currency to which the Company is exposed are the Australian dollar. Based on the Company's net financial assets and liabilities as at 30 June 2018, a weakening of the US dollar against the Australian dollar (1 cent strengthening in Australian dollar), with all other variables held constant, would decrease the Company's equity and profit after taxation by US\$693 thousand (2017: decrease of US\$2,952 thousand).

14 Financial risk management (continued)

Credit risk

Credit risk can arise from the non-performance by counterparties of their contractual financial obligations towards the Company. To manage credit risk, the Company maintains Group-wide procedures covering the granting and renewal of counterparty limits, proactive monitoring of exposures against these limits and requirements triggering secured payment terms. As part of these processes, the credit exposures with all counterparties are regularly monitored and assessed on a timely basis. The credit quality of the Company's counterparties is reviewed and assessed for impairment where indicators of such impairment exist. The solvency of each debtor and their ability to pay on the receivable is considered in assessing receivables for impairment.

At the end of the reporting period, the Company has significant concentrations of credit risk for loans and receivables entered into with multiple internal counterparties. Management does not anticipate any credit losses arising from these counterparties as they are part of the Group with high credit-ratings assigned by international credit-rating agencies.

Receivables are deemed to be past due or impaired in accordance with the Company's terms and conditions. These terms and conditions are determined on a case-by-case basis with reference to the customer's credit quality, payment performance. At 30 June 2018, trade receivables are stated net of provisions for doubtful debts of US\$137,180 thousand (2017: US\$ 137,180 thousand). As at the reporting date, there are no indications that the debtors will not meet their payment obligations.

Liquidity risk

The Company's liquidity risk arises from the possibility that it may not be able to settle or meet its obligations as they fall due and is managed as part of the Group's portfolio risk management strategy. Operational, capital and regulatory requirements are considered in the management of liquidity risk, in conjunction with short-term and long-term forecast information.

The Group's strong credit profile, diversified funding sources, its minimum cash buffer and its committed credit facilities ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Group's policy on counterparty credit exposure ensures that only counterparties of an investment grade standing are used for the investment of any excess cash.

Standard & Poor's credit rating of the Group remained at the A level with stable outlook throughout FY2018. Moody's maintained their credit rating for the Group of A3 with positive outlook throughout FY2018.

There were no defaults on loans payable during the period.

Standby arrangements and unused credit facilities

The Company is a participant in the Group's committed revolving credit facility which operates as a back-stop to the Group's uncommitted commercial paper program. The combined amount drawn under the facility or as commercial paper will not exceed US\$6.0 billion. As at 30 June 2018, US\$ nil commercial paper was drawn (2017: US\$ nil). The revolving credit facility has a five-year maturity ending 7 May 2021. A commitment fee is payable on the undrawn balance and an interest rate comprising an interbank rate plus a margin applies to any drawn balance. The agreed margins are typical for a credit facility extended to a company with the Group's credit rating.

14 Financial risk management (continued)

Liquidity risk (continued)

Maturity profile of financial liabilities

The maturity profile of the Company's financial liabilities based on the contractual amounts, taking into account the derivatives related to debt, is as follows:

2018 US\$000	Bank loans, debentures and other loans	Expected future interest payments	Derivatives related to net debt	Other Derivatives	Trade and other payables	Total
Due for payment:						
In one year or less or on demand	1,492,907	196,241	248,738	213	25,894,919	27,833,018
In more than one year but not more than two years	1,041,689	394,215	111,047	-	-	1,546,951
In more than two years but not more than three years	2,429,107	347,783	211,054	-	-	2,987,944
In more than three years but not more than four years	-	286,509	81,067	-	-	367,576
In more than four years but not more than five years	1,792,326	246,760	356,101	-	1,231,971	3,627,158
In more than five years	6,066,612	1,672,990	839,297	-	8,007,878	16,586,777
Total	12,822,641	3,144,498	1,847,304	213	35,134,768	52,949,424
Carrying amount	13,581,066		708,406	213	35,134,768	49,424,453

2017 US\$000	Bank loans, debentures and other loans	Expected future interest payments	Derivatives related to net debt	Other Derivatives	Trade and other payables	Total
Due for payment:						
In one year or less or on demand	768,400	226,783	317,395	-	21,419,611	22,732,189
In more than one year but not more than two years	1,425,313	438,937	240,648	-	2,250,000	4,354,898
In more than two years but not more than three years	1,452,550	420,554	96,849	-	-	1,969,953
In more than three years but not more than four years	2,850,625	365,918	265,809	-	-	3,482,352
In more than four years but not more than five years	-	303,370	84,994	-	2,250,000	2,638,364
In more than five years	8,644,523	1,930,316	1,711,081	-	8,773,465	21,059,385
Total	15,141,411	3,685,878	2,716,776	-	34,693,076	56,237,141
Carrying amount	16,023,826		1,226,946	-	34,693,076	51,943,848

14 Financial risk management (continued)

Financial assets and liabilities

The financial assets and liabilities are presented by class in the tables at their carrying amounts, which generally approximate to fair value.

Recognition and measurement

All financial assets and liabilities, other than derivatives, are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortised cost. Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value.

The Company classifies its financial assets and liabilities into:

- loans and receivables;
- held at fair value through profit or loss;
- cash flow hedge;
- financial assets and liabilities at amortised cost.

The classification depends on the purpose for which the financial assets and liabilities are held. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include cash and cash equivalents and trade receivables. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are initially measured at fair value of consideration paid and subsequently carried at either fair value or amortised cost less impairment. At the end of each reporting period, loans and receivables are assessed for objective evidence that they are impaired. The amount of loss is measured as the difference between its carrying amount and the present value of its estimated future cash flows. The loss is recognised in the income statement.

Other financial liabilities at amortised cost

Trade and other payables represents amounts that are non-interest bearing. The carrying value approximates their fair value, which represents liabilities for goods and services provided to the Company prior to the end of the reporting period that are unpaid.

Interest bearing liabilities are initially recognised at fair value of the consideration received, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

Derivatives and hedging

Derivatives, including embedded derivatives separated from the host contracts, are included within financial assets or liabilities at fair value through profit or loss unless they are designated as effective hedging instruments. Financial instruments in this category are classified as current if they are expected to be settled within 12 months; otherwise they are classified as non-current.

14 Financial risk management (continued)

Derivatives and hedging (continued)

The Company uses financial instruments to hedge its exposure to certain market risks arising from operational, financing and investing activities. At the start of the transaction, the Company documents:

- the type of hedge;
- the relationship between the hedging instrument and hedged items;
- its risk management objective and strategy for undertaking various hedge transactions.

The documentation also demonstrates, both at hedge inception and on an ongoing basis, that the hedge is expected to continue to be highly effective.

The Company has two types of hedges:

	Fair value hedges	Cash flow hedges
Exposure	As the majority of the Company's debt is issued at fixed interest rates, the Company has entered into interest rate swaps and cross currency interest rate swaps to mitigate its exposure to changes in the fair value of borrowings.	As a portion of the Company's debt is denominated in currencies other than US dollars, the Company has entered into cross currency interest rate swaps to mitigate currency exposures.
Recognition date	At the date the instrument is entered into.	
Measurement	Measured at fair value.	
Fair value approach	Based on internal valuations using standard valuation techniques with current market inputs, including interest and forward commodity; and exchange rates. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.	
How are changes in fair value accounted for?	<p>The following changes in the fair value are recognised immediately in the income statement:</p> <ul style="list-style-type: none"> • the gains or losses on both the derivative or financial instrument and hedged asset or liability attributable to the hedged risk; • the gain or loss relating to the effective portion of interest rate swaps, hedging fixed rate borrowings, together with the gain or loss in the fair value of the hedged fixed rate borrowings attributable to interest rate risk; • the gain or loss relating to the ineffective portion of the hedge. 	<ul style="list-style-type: none"> • Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income and accumulated in equity in the hedging reserve to the extent that the hedge is highly effective. • To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement. • Amounts accumulated in equity are transferred to the income statement or the balance sheet for a non-financial asset at the same time as the hedged item is recognised.

14 Financial risk management (continued)

Derivatives and hedging (continued)

	Fair value hedges	Cash flow hedges
How are changes in fair value accounted for? (continued)	If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity using a recalculated effective interest rate.	<ul style="list-style-type: none"> • When a hedging instrument expires or is sold, terminated or exercised, 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 underlying forecast transaction occurs. • When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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.

Valuation hierarchy

The carrying amount of financial assets and liabilities measured at fair value is principally calculated based on inputs other than quoted prices that are observable for these financial assets or liabilities, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from 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 Company's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates.

The inputs used in fair value calculations are determined by the relevant segment or function. The functions support the assets and operate under a defined set of accountabilities authorised by the Executive Leadership Team. Movements in the fair value of financial assets and liabilities may be recognised through the income statement or in other comprehensive income.

For financial assets and liabilities carried at fair value, the Company uses the following to categorise the method used:

Fair value hierarchy	Level 1	Level 2	Level 3
Valuation method	Based on quoted prices (unadjusted) in active markets for identical financial assets and liabilities.	Based on inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).	Based on inputs not observable in the market using appropriate valuation models, including discounted cash flow modelling.

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14 Financial risk management (continued)

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to fair value.

2018 US\$000	Loans and receivables	Held at fair value through profit or loss	Cash flow hedges	Other financial assets and liabilities at amortised cost	Total
Fair value hierarchy ^(a)		<i>Level 2</i>	<i>Level 2</i>		
Cross currency and interest rate swaps	-	840,376	(406,837)	-	433,539
Other derivative contracts	-	16	-	-	16
Cash and cash equivalents	10,099,341	-	-	-	10,099,341
Trade and other receivables	39,516,106	-	-	-	39,516,106
Total financial assets	49,615,447	840,392	(406,837)	-	50,049,002
Non-financial assets					1,125
Total assets					50,050,127
Cross currency and interest rate swaps	-	343,412	364,994	-	708,406
Other derivative contracts	-	213	-	-	213
Trade and other payables	-	-	-	35,134,768	35,134,768
Bank overdrafts	-	-	-	37,844	37,844
Notes and debentures ^(b)	-	-	-	13,543,222	13,543,222
Total financial liabilities	-	343,625	364,994	48,715,834	49,424,453
Non-financial liabilities					46,400
Total liabilities					49,470,853

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14 Financial risk management (continued)

2017 US\$000	Loans and receivables	Held at fair value through profit or loss	Cash flow hedges	Other financial assets and liabilities at amortised cost	Total
Fair value hierarchy ^(a)		Level 2	Level 2		
Cross currency and interest rate swaps	-	624,276	27,338	-	651,614
Other derivative contracts	-	20	-	-	20
Cash and cash equivalents	9,618,193	-	-	-	9,618,193
Trade and other receivables	42,401,347	-	-	-	42,401,347
Total financial assets	52,019,540	624,296	27,338	-	52,671,174
Non-financial assets					2,475
Total assets					52,673,649
Cross currency and interest rate swaps	-	(79,990)	1,306,891	-	1,226,901
Other derivative contracts	-	45	-	-	45
Trade and other payables	-	-	-	34,693,076	34,693,076
Bank overdrafts	-	-	-	34,632	34,632
Notes and debentures ^(b)	-	-	-	16,023,826	16,023,826
Total financial liabilities	-	(79,945)	1,306,891	50,751,534	51,978,480
Non-financial liabilities					72,403
Total liabilities					52,050,883

(a) All of the Company's financial assets and financial liabilities recognised at fair value were valued using market observable inputs categorised as Level 2.

(b) All interest bearing liabilities are listed bonds and unsecured.

For financial instruments that are carried at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between categories during the period.

For financial instruments not valued at fair value on a recurring basis, the Company uses a method that can be categorised as Level 2.

14 Financial risk management (continued)

Offsetting financial assets and liabilities

The Company enters into money market deposits and derivative transactions under International Swaps and Derivatives Association Master Agreements that do not meet the criteria for offsetting, but allow for the related amounts to be set-off in certain circumstances. The amounts set out as cross currency and interest rate swaps in the table above represent the derivative financial assets and liabilities of the Company that may be subject to the above arrangements and are presented on a gross basis.

Recognition and measurement

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

15 Cash and cash equivalents

For the purpose of the cash flow statement, cash equivalents include highly liquid investments that are readily convertible to cash and with a maturity of less than 90 days, and net of bank overdrafts.

Cash and cash equivalents include balances denominated in the following currencies:

	2018 US\$'000	2017 US\$'000
USD	10,094,824	9,616,186
EUR	724	1,664
GBP	775	281
AUD	2,266	55
CAD	752	7
Total cash and cash equivalents	10,099,341	9,618,193

16 Related party transactions

Ultimate parent entity

The ultimate parent entity of the Company is BHP Billiton Limited which at 30 June 2018 owns 100% (2017: 100%) of the issued ordinary shares of the Company.

Subsidiaries

The Company holds no interests in subsidiaries as at 30 June 2018 (2017: nil).

Transactions with related parties

	2018 US\$'000	2017 US\$'000
Transactions with related parties		
Guarantee fee income ^(a)	8,869	3,983

(a) Guarantee fee income is in respect of bank guarantees provided to related parties.

16 Related party transactions (continued)

Outstanding balances arising from sales/purchases of goods and services and interest received/paid on loans and borrowings with related parties

	2018	2017
	US\$'000	US\$'000
Outstanding balances with related parties		
Accrued interest receivable from related parties ^(a)	65,496	16,422
Accrued interest payable to related parties	(116,347)	(111,327)
Income tax receivable/(payable) by ultimate parent on behalf of the Company	129,324	(5,789)
Withholding tax receivable	534	550
Derivative contracts – related party ^(b)	(275,064)	(575,312)

(a) Accrued interest is in respect of related party loans for which interest payable has not been capitalised to the carrying amount of the loan.

(b) Derivative contracts are cross currency swaps and forward exchange contracts taken with related parties to hedge foreign exchange and interest rate risk exposures on related party funding structures and to fund AUD operating costs.

Loans to/(from) related parties

	2018	2017
	US\$'000	US\$'000
Loans to related parties		
Beginning of the year	42,384,375	45,588,520
Loans advanced	1,876,387	2,960,897
Loans repayment received	(5,714,216)	(7,465,494)
Interest charged	(88,873)	(25,124)
Interest received	863,079	1,325,576
End of year	39,320,752	42,384,375
Loans from ultimate parent		
Beginning of the year	(11,506,858)	(7,967,053)
Loans received	(1,795,608)	(3,468,891)
Interest charged	(149,126)	(70,826)
Foreign exchange revaluation	672	(88)
End of year	(13,450,920)	(11,506,858)
Loans from related parties		
Beginning of the year	(22,836,173)	(21,855,143)
Loan repayments made	4,098,856	4,013,459
Loans received	(2,217,479)	(4,543,839)
Interest charged	(618,079)	(616,485)
Interest received	221,030	166,057
Foreign exchange revaluation	816	(222)
End of year	(21,351,029)	(22,836,173)
Total net loans to related parties	4,518,803	8,041,344

16 Related party transactions (continued)

Terms and conditions

Interest received/paid on loans and borrowings are made in arm's length transactions at normal market prices and on normal commercial terms.

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

Transactions with key management personnel

The Directors are personnel of the BHP Group who are not remunerated by the BHP Group for their services as directors.

17 Segment reporting

The Company operates in a single segment, being financial services in Australia. The segment information considered by the chief operating decision maker (CODM) is consistent with the Company's profit or loss as recorded in the Company's income statement. The Company's finance income is principally derived from the provision of finance to related corporations.

18 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.

19 Auditor's remuneration

Fees for services rendered by the company's auditor, KPMG, in relation to the statutory audit are borne by a related entity.

20 Commitments

There were no commitments at 30 June 2018 (2017: US\$nil).

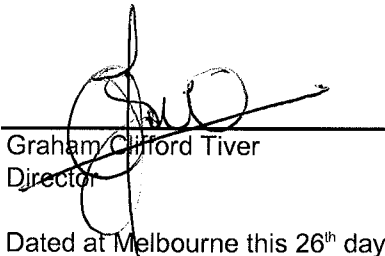
BHP Billiton Finance Limited
Directors' Declaration
For the year ended 30 June 2018

1 In the opinion of the directors of BHP Billiton Finance Limited ("the Company"):

- (a) the financial statements and notes that are contained on pages 7 to 35 are in accordance with the Australian Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors draw attention to Note 1 to the financial statements, which include a statement of compliance with Australian Accounting Standards.

Signed in accordance with a resolution of the directors:



Graham Clifford Tiver
Director

Dated at Melbourne this 26th day of October 2018



Independent Auditor's Report

To the members of BHP Billiton Finance Limited

Opinion

We have audited the **Financial Report** of BHP Billiton Finance Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Company's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The Financial Report comprises:

- *Balance sheet* as at 30 June 2018
- *Income statement, Statement of other comprehensive income, Statement of changes in equity, and Statement of cash flows* for the year then ended
- Notes including a summary of significant accounting policies
- *Directors' Declaration*.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matters

The **Key Audit Matters** we identified are:

- *Accounting for derivative financial assets and liabilities*
- *Presentation of interest bearing liabilities*

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for derivative financial assets (Current: \$8,137 thousand, Non-current: \$425,418 thousand) and liabilities (Current: \$118,182 thousand, Non-current: \$590,437 thousand)

Refer to Notes 7, 10 and 14

The key audit matter	How the matter was addressed in our audit
<p>Accounting for derivative financial assets and liabilities is a key audit matter due to the application of valuation techniques which involve the use of valuation assumptions and inputs.</p> <p>As such, senior audit team effort and specialist involvement was required.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Understanding management's processes and testing key controls for accounting for derivative contracts; and • Selecting a sample of derivatives and hedge relationships for testing using risk-based selection techniques: <ul style="list-style-type: none"> - We agreed the inputs of each sample to confirmations we obtained from counterparties; and - Our specialist's independently estimated the fair value of each sample as at 30 June 2018 using recognised market valuation methodologies and inputs and compared to the Company's valuations to those valuations.



Presentation of interest bearing liabilities (Current: \$27,055,665 thousand, Non-current: \$21,327,350 thousand)

Refer to Note 9

The key audit matter	How the matter was addressed in our audit
<p>The Company has established a range of bonds with various notional amounts and maturities. The proceeds from these bonds are lent to related parties to finance operations.</p> <p>The presentation of interest bearing liabilities is a key audit matter given the continual changes in the financing profile of the Company.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Understanding the Company's processes over the presentation of interest bearing liabilities; • Selecting a sample of bonds for testing using risk-based selection techniques; and • For the sample of bonds selected, we assessed the maturity dates of the Company's bonds to check that bonds maturing within the next twelve months were classified in current liabilities and appropriately disclosed in the Financial Report. Maturity dates were checked to records maintained by an independent third party source.

Other Information

Other Information is financial and non-financial information in BHP Billiton Finance Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf.

This description forms part of our Auditor's Report.

KPMG

Maritza Araneda

Partner

Melbourne

26 October 2018