BHP Billiton Finance Limited

ABN 82 008 519 319

General Purpose Financial Report for the year ended 30 June 2020

BHP Billiton Finance Limited
General Purpose Financial Report
30 June 2020

Contents

Directors' report

The directors present their report on BHP Billiton Finance Limited (the Company) for the year ended 30 June 2020 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:

Graham Clifford Tiver
Roderick John Douglas Mainland
James Joseph Sharp
Bradford Paul Aldred Smith
Vasundhara (Appointed on 10 February 2020)

Company Secretary

Angeli Gayfer

Principal activities

During the year the principal activities of the Company were to issue non-USD denominated bonds including Australian, 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, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 15
171 Collins Street
Melbourne VIC 3000
Australia

BHP Billiton Finance Limited (hereafter referred to as the Company) is a wholly owned subsidiary of BHP Group Limited. BHP Group Limited and its subsidiaries (the BHP Group Limited Group) and BHP Group Plc and its subsidiaries (the BHP Group Plc 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 2020 (2019: 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 loss after tax for the financial year ended 30 June 2020 is US$53,691 thousand (2019: net loss of US$161,587 thousand).

The decrease in net loss by US$107,896 thousand mainly driven by higher tax benefit and lower net finance cost during the year. The Company derecognised deferred tax balances of US$127,298 thousand during the year.

The Company repaid US$858,660 thousand of long term debt upon maturity of the Euro Medium Term Note (EMTN) during the year.

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 2020.

Matters subsequent to the end of the financial year and likely developments
On 2 September 2020, the Group announced that its Board of Directors had approved a global multi-currency subordinated note repurchase plan, targeting Euro subordinated notes issued in 2015. Subsequently, the Group announced the total final acceptance amount is US$41.6 million.

On 13 November 2020, the Group announced that the Board of Directors had approved a global multi-currency subordinated note repurchase plan, targeting EUR dollar subordinated notes issued in 2015 with no aggregate cash spend cap.

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 Group 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.

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.

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 2020.

Directors' report (continued)

Going concern
The financial statements have been prepared on the going concern basis. The Company has net current liabilities of US$1,446,248 thousand (2019: net current liabilities US$367,264 thousand) and net assets of US$319,891 thousand (2019: US$380,944 thousand) at 30 June 2020.

The directors believe that the going concern basis is appropriate, given the Company expect further funding as necessary to be available from the ultimate parent entity. Although the Company is in a net current liability position, the ultimate parent entity has committed to provide financial support to the Company to meet its liabilities as they fall due. Subsequent to 30 June 2020, the ultimate parent entity provided a letter of comfort for the next twelve months outlining the above.

The Directors have also considered the potential impact of the Corona Virus Disease 19 (COVID-19) pandemic on the Company's principal activities and future cash flows. To date, the impact of the pandemic on our business has been minimal. In particular, our customers, who are all members of the BHP Group, continue to service their financing arrangements. Based on our current knowledge and available information, we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future.

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

Bradford Paul Aldred Smith
Director

Dated at Melbourne this 23 day of November 2020

Ernst & Young
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Building a better working world

Auditor's independence declaration to the directors of BHP Billiton Finance Limited

As lead auditor for the audit of the financial report of BHP Billiton Finance Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
23 November 2020

BHP Billiton Finance Limited
Statement of Profit or Loss
For the year ended 30 June 2020

	Note	**2020 US$'000**	2019 US$'000
Guarantee fees income	16	**7,188**	7,866
Operating expense excluding net finance costs	2	**(3,689)**	(254)
Profit from operations		**3,499**	7,612
Finance income	3	**1,104,966**	1,510,457
Finance costs	3	**(1,323,786)**	(1,745,685)
Net finance costs		**(218,820)**	(235,228)
Loss before income tax		**(215,321)**	(227,616)
Income tax benefit	4	**161,630**	66,029
Loss after income tax		**(53,691)**	(161,587)

The accompanying notes form part of these financial statements

BHP Billiton Finance Limited
Statement of Other Comprehensive Income
For the year ended 30 June 2020

	Note	**2020 US$'000**	2019 US$'000
Loss after income tax		**(53,691)**	(161,587)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
Losses taken to equity	14	**(306,723)**	(318,120)
Gains transferred to the income statement	14	**296,206**	298,898
Deferred tax relating to cash flow hedges	14	**3,155**	5,767
Total other comprehensive loss, net of tax		**(7,362)**	(13,455)
Total comprehensive loss for the year		**(61,053)**	(175,042)
Attributable to member of BHP Billiton Finance Limited		**(61,053)**	(175,042)

The accompanying notes form part of these financial statements

BHP Billiton Finance Limited
Statement of Financial Position
As at 30 June 2020

	Note	2020 US$'000	2019 US$'000
ASSETS			
Current assets			
Cash and cash equivalents	15	**3,304,307**	6,240,088
Receivables	6	**219,503**	321,566
Other financial assets	7	**21,701,503**	16,010,288
Total current assets		**25,225,313**	22,571,942
Non-current assets			
Other financial assets	7	**20,230,668**	22,084,067
Deferred tax assets	4	**90,531**	-
Total non-current assets		**20,321,199**	22,084,067
Total assets		**45,546,512**	44,656,009
LIABILITIES			
Current liabilities			
Payables	8	**268,128**	299,937
Interest bearing liabilities	9	**26,208,871**	22,561,116
Other financial liabilities	10	**194,562**	78,153
Total current liabilities		**26,671,561**	22,939,206
Non-current liabilities			
Interest bearing liabilities	9	**17,132,377**	20,430,188
Other financial liabilities	10	**1,422,683**	853,183
Deferred tax liabilities	4	**-**	52,488
Total non-current liabilities		**18,555,060**	21,335,859
Total liabilities		**45,226,621**	44,275,065
NET ASSETS		**319,891**	380,944
EQUITY			
Share capital	11	**783,370**	783,370
Reserves	12	**32,129**	39,491
Accumulated losses	13	**(495,608)**	(441,917)
Total equity		**319,891**	380,944

The accompanying notes form part of these financial statements

BHP Billiton Finance Limited
Statement of Cash Flows
For the year ended 30 June 2020

	2020 US$'000	2019 US$'000
Operating activities		
Loss before income tax	**(215,321)**	(227,616)
Adjustments for:		
Interest received / receivable	**(1,048,726)**	(1,325,224)
Interest paid / payable	**1,326,610**	1,733,602
Net foreign exchange differences on cash	**737**	(30,847)
Net foreign exchange differences on receivables from related parties	**357**	(1,495)
Net foreign exchange differences on derivatives	**347,779**	354,539
Net foreign exchange differences on debt	**(314,576)**	(310,961)
Interest income from bank balances and deposits	**(56,240)**	(185,233)
Expected credit loss	**2,167**	(1,664)
Change in assets and liabilities:		
Net other financial assets and liabilities	**4,982**	(98,141)
Cash generated from operations	**47,769**	(93,040)
Interest received	**1,179,900**	1,498,414
Interest paid	**(1,358,419)**	(1,766,484)
Income taxes paid	**49,909**	(34,816)
Net operating cash flows	**(80,841)**	(395,926)
Financing activities		
Loans to related parties	**(3,092,770)**	(4,731,983)
Repayments of loans from related parties	**-**	7,700,869
Repayments of borrowings to related parties	**(3,961,558)**	(19,647,377)
Proceeds of borrowings from related parties	**5,255,046**	14,771,805
Repayments of borrowings to third parties	**(898,144)**	(1,427,500)
Settlement of derivatives and cash management related instruments	**(156,777)**	(159,988)
Net financing cash flows	**(2,854,203)**	(3,494,174)
Net (decrease) / increase in cash and cash equivalents	**(2,935,044)**	(3,890,100)
Cash and cash equivalents at the beginning of the financial year	**6,240,088**	10,099,341
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(737)**	30,847
Cash and cash equivalents at end of year	**3,304,307**	6,240,088

The accompanying notes form part of these financial statements

	Share capital US$'000	Capital redemption reserve US$'000	Hedging reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 July 2019	**783,370**	**505**	**38,986**	**(441,917)**	**380,944**
Total comprehensive loss for the year	-	-	**(7,362)**	**(53,691)**	**(61,053)**
Balance at 30 June 2020	**783,370**	**505**	**31,624**	**(495,608)**	**319,891**

	Share capital US$'000	Capital redemption reserve US$'000	Hedging reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 July 2018	783,370	505	52,441	(257,042)	579,274
Impact of adopting IFRS 9/ AASB 9	-	-	-	(23,288)	(23,288)
Balance at 1 July 2018	783,370	505	52,441	(280,330)	555,986
Total comprehensive loss for the year	-	-	(13,455)	(161,587)	(175,042)
Balance at 30 June 2019	783,370	505	38,986	(441,917)	380,944

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 Group Limited. BHP Group Limited and its subsidiaries (the BHP Group Limited Group) and BHP Group Plc and its subsidiaries (the BHP Group 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 financial report for the year ended 30 June 2020 has been prepared in accordance with accounting standards and interpretations collectively referred to as 'IFRS' in this report, which encompass the:

- International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board;
- Australian Accounting Standards, being Australian equivalents to International Financial Reporting Standards and interpretations as issued by the Australian Accounting Standards Board (AASB).

Amendments to IFRS 9/AASB 9 'Financial Instruments' (IFRS 9) and IFRS 7/AASB 7 'Financial Instruments: Disclosures' (IFRS 7) - Interest rate benchmark reform

The London Interbank Offered Rate (LIBOR) and other benchmark interest rates are expected to be replaced by alternative risk-free rates by the end of CY2021 as part of inter-bank offer rate (IBOR) reform. The amendments to IFRS 7 and IFRS 9 provide temporary relief from applying specific hedge accounting requirements to hedging arrangements directly impacted by these reforms. The Company has early adopted the amendments resulting in no impact on the Company's hedge accounting.

As outlined in note 14 Financial risk management, the Company has foreign currency and US Dollar denominated loans and debentures at fixed interest rates. The Company uses interest rate swaps and cross currency swaps to convert most of its fixed interest exposure to a floating USD LIBOR. The interest rate derivatives are designated into fair value hedges.

The reliefs provided by the amendments allow the Company to assume that:

- USD LIBOR remains a separately identifiable component for the duration of the hedge;
- for the purpose of assessing the effectiveness of the hedge relationship the USD LIBOR rates referenced by fixed-to-floating rate swaps in the fair value hedge relationships do not change as a result of IBOR reform.

1 Accounting policies (continued)

The amendments were applied retrospectively, including to hedging arrangements designated as hedges during the period, and will continue to apply until the uncertainty arising from the reforms with respect to the timing and the amount of the underlying cash flows that the Company is exposed to ends. A project has been established to assess the implications of IBOR reform across the Group, and to manage and execute the transition from current benchmark rates to alternative benchmark rates. The Company will continue to assess amendments to certain accounting standards covering the accounting for the transition to alternative rates which were released in 2020 and will be applicable to the Company in future reporting periods.

Issued but not yet effective

A number of other accounting standards and interpretations, along with revisions to the Conceptual Framework for Financial Reporting, have been issued and will be applicable in future periods. While these remain subject to ongoing assessment, no significant impacts have been identified to date. These standards have not been applied in the preparation of these 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.

Going concern basis

The financial statements have been prepared on the going concern basis. The Company has net current liabilities of US$1,446,248 thousand (2019: net current liabilities US$367,264 thousand) and net assets of US$319,891 thousand (2019: US$380,944 thousand) at 30 June 2020.

The directors believe that the going concern basis is appropriate, given the Company expect further funding as necessary to be available from the ultimate parent entity. Although the Company is in a net current liability position, the ultimate parent entity has committed to provide financial support to the Company to meet its liabilities as they fall due. Subsequent to 30 June 2020, the ultimate parent entity provided a letter of comfort for the next twelve months outlining the above.

The Directors have also considered the potential impact of the Corona Virus Disease 19 (COVID-19) pandemic on the Company's principal activities and future cash flows. To date, the impact of the pandemic on our business has been minimal. In particular, our customers, who are all members of the BHP Group, continue to service their financing arrangements. Based on our current knowledge and available information, we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future.

1 Accounting policies (continued)

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

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 2020	Average year ended 30 June 2019	**As at 30 June 2020**	As at 30 June 2019
Australian dollar	**0.67**	0.69	**0.68**	0.70
Canadian dollar	**1.34**	1.33	**1.37**	1.31
Euro	**0.90**	0.89	**0.89**	0.88
UK pound sterling	**0.79**	0.79	**0.82**	0.79

Financial income and costs
Financial income comprises, where applicable, interest income on funds invested. 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 and exchange losses on net debt. 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.

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.

The tax effect of certain temporary differences is not recognised, principally with respect to 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). 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, using tax rates enacted or substantively enacted at period end.

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 Group 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.

1 Accounting policies (continued)

Tax consolidation (continued)

The tax sharing agreement provides the method of allocating tax liabilities should the head entity default on its tax payment obligations.

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

Refer to note 14 for accounting policies applied to the Company's financial instruments.

Application of critical accounting policies and estimates

The preparation of these 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

Under IFRS 9/AASB 9, the simplified approach is applied for receivables from related parties, whereby lifetime expected credit losses is recognised on receivables from related parties regardless of any changes in the counterparty credit risk. 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 Financial risk management. 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 2020, is contained in Note 14 Financial risk management.

2 Operating expense excluding net finance costs

	2020 US$'000	2019 US$'000
Management fees	**373**	(85)
Consultant fees	**(1,722)**	(1,787)
Expected credit (losses) / gains	**(2,167)**	1,664
All other operating expenses	**(173)**	(46)
	(3,689)	(254)

3 Net finance costs

	2020 US$'000	2019 US$'000
Finance income		
Interest income from bank balances and deposits [(a)]	**56,240**	185,233
Interest received / receivable from related parties	**1,048,726**	1,325,224
	1,104,966	1,510,457
Finance costs		
Interest paid / payable to non-related parties	**(377,081)**	(408,265)
Interest paid / payable to related parties	**(949,886)**	(1,323,842)
Fair value change on hedged loans – (loss)	**(263,165)**	(380,833)
Fair value change on derivatives – gain [(b)]	**267,770**	374,060
Net exchange differences on loans and derivatives transactions	**(1,424)**	(6,805)
	(1,323,786)	(1,745,685)
	(218,820)	(235,228)

(a) Interest income from bank balances and deposits US$56,240 thousand (2019: income of US$185,233 thousand) are presented as an aggregate of interest income on deposits and bank balances, as well as foreign exchange component of forward exchange contract derivatives to enable users of the financial statements to understand the economic effects of foreign currency deposit transactions. Prior year comparative amounts have been restated to conform with current year presentation.

(b) Gain on fair value changes of derivatives of US$267,770 thousand (2019: gain of US$374,060 thousand) include fair value gain of US$275,772 thousand on hedging derivatives used to manage interest rate exposure on debt securities (2019: fair value gain of US$397,786 thousand), and fair value gain on foreign exchange trades amounting to US$8,002 thousand (2019: gain of US$23,727 thousand).

4 Income tax benefit

	2020 US$'000	2019 US$'000
Income tax benefit comprises:		
- Current tax benefit	**21,766**	69,329
- Prior year over provision	**-**	8,555
Recognition / derecognition of deferred tax balances	**127,298**	-
Deferred tax benefit / (expense)	**12,566**	(11,855)
	161,630	66,029

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

	2020 US$'000	2019 US$'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	**(215,321)**	(227,616)
Tax at the standard Australian tax rate of 30 per cent	**64,596**	68,285
Tax effect of amounts which are (not deductible) / taxable in calculating taxable income:		
Foreign exchange losses on income tax receivable	**(30,264)**	(10,811)
Prior year over provision	**-**	8,555
Recognition / derecognition of deferred tax balances	**127,298**	-
Income taxation benefit	**161,630**	66,029

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

	2020 US$'000	2019 US$'000
Net deferred tax asset / (liability)		
At the beginning of the financial year	**(52,488)**	(46,400)
Income tax credit recorded in the income statement	**139,864**	(11,855)
Income tax credit recorded directly in equity [(a)]	**3,155**	5,767
At the end of the financial year	**90,531**	(52,488)

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

4 Income tax benefit (continued)

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 asset / (liability)		Credited to the income statement	
	2020	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000
Type of temporary difference				
Foreign exchange gains	**7,868**	(79,693)	**87,561**	4,057
Fair value adjustment on related party swaps and loans	**34,372**	27,704	**3,513**	(15,413)
Provision for doubtful debts	**48,291**	(499)	**48,790**	(499)
	90,531	(52,488)	**139,864**	(11,855)

5 Dividends

During the year, no dividends were paid to BHP Group Limited (2019: US$nil).

6 Receivables

	2020	2019
	US$'000	US$'000
Current		
Related party receivable - Income tax receivable by ultimate parent on behalf of the Company	**213,881**	242,024
Accrued interest due from related parties	**2,605**	77,539
Withholding tax receivable	**3,017**	2,003
Total current receivables	**219,503**	321,566

7 Other financial assets

	2020	2019
	US$'000	US$'000
Current		
At fair value		
Cross currency and interest rate swaps - related parties	-	14,513
Forward exchange contracts - related parties	**2,459**	49,333
	2,459	63,846
At amortised cost		
Receivables from related parties - interest bearing	**21,698,523**	15,946,085
Capitalised fees	**521**	357
	21,699,044	15,946,442
Total current other financial assets	**21,701,503**	16,010,288

7 Other financial assets (continued)

	2020 US$'000	2019 US$'000
Non-current		
Cross currency and interest rate swaps – related parties	**1,630,232**	825,273
	1,630,232	825,273
At amortised cost		
Receivables from related parties - interest bearing	**18,596,632**	21,258,466
Capitalised fees	**3,804**	328
	18,600,436	21,258,794
Total non-current other financial assets	**20,230,668**	22,084,067

8 Payables

	2020 US$'000	2019 US$'000
Current		
Payables – accrued interest related parties	**85,154**	107,236
Payables – accrued interest non-related parties	**182,974**	192,701
	268,128	299,937

9 Interest bearing liabilities

	2020 US$'000	2019 US$'000
Current		
Notes and debentures	**2,355,683**	1,001,774
Loans from ultimate parent entity	**5,875,965**	620,561
Loans from other related parties	**17,977,223**	20,938,781
Total current interest bearing liabilities	**26,208,871**	22,561,116
Non-current		
Notes and debentures	**8,892,528**	11,190,339
Loans from other related parties	**8,239,849**	9,239,849
Total non-current interest bearing liabilities	**17,132,377**	20,430,188

10 Other financial liabilities

	2020 US$'000	2019 US$'000
Current		
At fair value		
Cross currency and interest rate swaps - related parties	**165,077**	63,046
Forward exchange contracts - related parties	**29,485**	15,107
Total current other financial liabilities	**194,562**	78,153
Non-current		
Cross currency and interest rate swaps - related parties	**1,422,683**	853,183
Total non-current other financial liabilities	**1,422,683**	853,183

11 Share capital

	2020 Shares	2019 Shares	2020 US$'000	2019 US$'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.

12 Reserves

	Note	2020 US$'000	2019 US$'000
Capital redemption reserve [1]		**505**	505
Hedging reserve	14	**31,624**	38,986
Total reserves		**32,129**	39,491

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

13 Accumulated losses

	2020 US$'000	2019 US$'000
Opening balance	**(441,917)**	(257,042)
Impact of adopting IFRS 9/AASB 9	**-**	(23,288)
Loss attributable to member of BHP Billiton Finance Limited	**(53,691)**	(161,587)
Closing balance	**(495,608)**	(441,917)

14 Financial risk management

Financial and capital risk management strategy

BHP Billiton Finance Limited is a wholly owned subsidiary of the Group and hence the Company's key financial risks are managed as part of the Group's financial 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, 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 below distinct but related activities. The following table summarises this activity and the key risk management processes:

Activity	Key risk management processes
1. Economic hedging of short-term cash deposits and 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. Where short-term cash deposits are held in a currency other than US dollars, derivative financial instruments may be executed to align the foreign exchange exposure to the Group's functional currency of US dollars.	• Measuring and reporting the exposure in issued debt instruments. • Executing hedging derivatives to align the total group exposure to the index target. • 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 short-term cash deposits 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 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 2020, 93 per cent of the Company's borrowings were exposed to floating interest rates inclusive of the effect of swaps (2019: 93 per cent).

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 valuation hierarchy section of this note.

14 Financial risk management (continued)

Interest rate risk (continued)

The Company has early-adopted amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments Disclosures' in relation to Interest Rate Benchmark Reform. There is no impact on the Company's hedge accounting as a result of adopting the amendments and for further information refer to note 1 'Accounting policies'.

Based on the net debt position as at 30 June 2020, 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$34,001 thousand (2019: decrease of US$32,694 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 Company 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 the Company are periodically restated to US dollar equivalents and the associated gain or loss is taken to the income statement.

The Company has entered into cross currency interest rate swaps and foreign exchange forwards to convert its significant foreign currency exposures in respect of monetary items into US dollars. Changes in foreign exchange rates will therefore have an insignificant impact on equity and profit after tax.

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 2020, a weakening of the US dollar against the Australian dollar (one cent strengthening in Australian dollar), with all other variables held constant, would decrease the Company's equity and profit after taxation by US$3,827 thousand (2019: decrease of US$6,476 thousand).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, other short-term investments and interest rate and currency derivative contracts and other financial instruments.

14 Financial risk management (continued)

Credit risk (continued)

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.

The simplified approach is applied for receivables from related parties, whereby lifetime expected credit losses is recognised on receivables from related parties regardless of any changes in the counterparty credit risk.

Under IFRS 9/AASB 9 the Company will measure expected credit losses using:

- Unbiased and probability weighted outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort.

At 30 June 2020, intercompany receivables are stated net of provisions for expected credit losses of US$160,971 thousand (2019: US$158,804 thousand under IAS 39/AASB 139). 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.

Standard & Poor's credit rating of the Group remained at the A level with stable outlook throughout FY2020. On 1 May 2020, Moody's affirmed its credit rating of the Group at A2 with a stable outlook.

There were no defaults on the Company's liabilities during the period.

Counterparty risk

The Company is exposed to credit risk from its financing activities, including short-term cash investments such as deposits with banks. This risk is managed by Group Treasury in line with the counterparty risk framework, which aims to minimise the exposure to a counterparty and mitigate the risk of financial loss through counterparty failure.

Exposure to counterparties is monitored at a Group level across all products and includes exposure with cash investments.

14 Financial risk management (continued)

Counterparty risk (continued)

Investments are only transacted with approved counterparties who have been assigned specific limits based on a quantitative credit risk model. These limits are updated at least bi-annually. Additionally, investments are subject to concentration limits by rating.

Investments are only transacted with approved counterparties who have been assigned specific limits based on a quantitative credit risk model. These limits are updated at least bi-annually. Additionally, investments are subject to concentration limits by rating.

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$5.5 billion. As at 30 June 2020, US$ nil commercial paper was drawn (2019: US$ nil). The revolving credit facility was refinanced on 10 October 2019 and has a five-year maturity ending 10 October 2024. 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 undiscounted contractual amounts, taking into account the derivatives related to debt, is as follows:

2020 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	2,339,063	331,271	259,565	29,485	24,121,316	27,080,700
In more than one year but not more than two years	-	272,268	80,802	-	1,231,971	1,585,041
In more than two years but not more than three years	1,706,123	235,009	441,964	-	-	2,383,096
In more than three years but not more than four years	627,854	201,947	154,411	-	734,413	1,718,625
In more than four years but not more than five years	1,408,782	138,130	222,837	-	-	1,769,749
In more than five years	3,748,925	1,237,892	974,177	-	6,273,465	12,234,459
Total	9,830,747	2,416,517	2,133,756	29,485	32,361,165	46,771,670
Carrying amount	11,248,211		1,587,760	29,485	32,361,165	45,226,621

2019 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	998,352	384,029	187,350	15,107	21,859,279	23,444,117
In more than one year but not more than two years	2,375,373	339,141	228,568	-	-	2,943,082
In more than two years but not more than three years	-	279,222	68,920	-	1,231,971	1,580,113
In more than three years but not more than four years	1,762,332	240,709	373,373	-	-	2,376,414
In more than four years but not more than five years	637,601	206,403	121,501	-	734,413	1,699,918
In more than five years	5,271,063	1,415,320	1,054,461	-	7,273,465	15,014,309
Total	11,044,721	2,864,824	2,034,173	15,107	31,099,128	47,057,953
Carrying amount	12,192,113		916,229	15,107	31,099,128	44,222,577

14 Financial risk management (continued)

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. Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs.

Financial assets are subsequently carried at fair value or amortised cost based on:

- the Company's purpose, or business model, for holding the financial asset; and
- whether the financial asset's contractual terms give rise to cash flows that are solely payments of principal and interest.

The resulting financial statement classifications of financial assets can be summarised as follows:

Contractual cash flows	Business model	Category
Solely principal and interest	Hold in order to collect contractual cash flows	Amortised cost
Solely principal and interest	Hold in order to collect contractual cash flows and sell	Fair value through other comprehensive income
Solely principal and interest	Hold in order to sell	Fair value through profit or loss
Others	Any of those mentioned above	Fair value through profit or loss

Solely principal and interest refers to the Company receiving returns only for the time value of money and the credit risk of the counterparty for financial assets held. The main exception for the Company is its derivatives.

With the exception of derivative contracts, the Company's financial liabilities are classified as subsequently measured at amortised cost.

The Company may in addition elect to designate certain financial assets or liabilities at fair value through profit or loss or to apply hedge accounting where they are not mandatorily held at fair value through profit or loss.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value.

Derivatives and hedging

The Company has early-adopted amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' in relation to Interest Rate Benchmark Reform. There is no impact on the Company's hedge accounting as a result of adopting the amendments and for further information refer to note 1 'Accounting policies'.

Derivatives 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)

Where hedge accounting is applied, at the start of the transaction, the Company documents the type of hedge, the relationship between the hedging instrument and hedged items and its risk management objective and strategy for undertaking various hedge transactions. The documentation also demonstrates that the hedge is expected to be effective.

The Company applies the following types of hedge accounting to its derivatives hedging the interest rate and currency risks in its notes and debentures:

- Fair value hedges - the fair value gain or loss on interest rate and cross currency swaps relating to interest rate risk, together with the change in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised immediately in the income statement.
  If the hedge no longer meets the criteria for hedge accounting, the fair value adjustment on the note or debenture is amortised to the income statement over the period to maturity using a recalculated effective interest rate.
- Cash flow hedges – changes in the fair value of cross currency interest rate swaps which hedge foreign currency cash flows on the notes and debentures are recognised directly in other comprehensive income and accumulated in the cash flow hedging reserve. To the extent a hedge is ineffective, changes in fair value are recognised immediately in the income statement.
  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 amortised to the income statement over the period to the hedged item's maturity.

When hedged, the Company hedges the full notional value of notes or debentures. However, certain components of the fair value of derivatives are not permitted under IFRS 9/AASB 9 to be included in the hedge accounting above. Certain costs of hedging are permitted to be recognised in other comprehensive income. Any change in the fair value of a derivative that does not qualify for hedge accounting, or is ineffective in hedging the designated risk due to contractual differences between the hedged item and hedging instrument, is recognised immediately in the income statement.

The table below shows the carrying amounts of the Company's notes and debentures by currency and the derivatives which hedge them:

- The carrying amount of the notes and debentures includes foreign exchange remeasurement to period end rates and fair value adjustments when included in a fair value hedge.
- The breakdown of the hedging derivatives includes remeasurement of foreign currency notional values at period end rates, fair value movements due to interest rate risk, foreign currency cash flows designated into cash flow hedges, costs of hedging recognised in other comprehensive income, ineffectiveness recognised in the income statement and accruals or prepayments.
- The hedged value of notes and debentures includes their carrying amounts adjusted for the offsetting derivative fair value movements due to foreign currency and interest rate risk remeasurement.

14 Financial risk management (continued)

Derivatives and hedging (continued)

The following table shows a reconciliation of the components of equity and an analysis of the movements in reserves for all hedges.

		Fair value of derivatives							
2020 US$000	Carrying amount of notes and debentures	Foreign exchange notional at spot rates	Interest rate risk	Recognised in cash flow hedging reserve	Recognised in cost of hedging reserve	Recognised in the income statement	Accrued cash flows	Total	Hedged value of notes and debentures
	A	B	C	D	E	F	G	B to G	A+B+C
GBP	3,301,667	763,738	(786,358)	(14,845)	13,429	(123,493)	100,440	(47,089)	3,279,047
EUR	7,366,577	500,466	(648,707)	(62,519)	20,927	(73,806)	109,080	(154,559)	7,218,336
CAD	579,967	199,098	(32,405)	(456)	(1,713)	(3,785)	(1,563)	159,176	746,660
Total	11,248,211	1,463,302	(1,467,470)	(77,820)	32,643	(201,084)	207,957	(42,472)	11,244,043

The weighted average interest rate payable is USD LIBOR + 2.27%.

		Fair value of derivatives							
2019 US$000	Carrying amount of notes and debentures	Foreign exchange notional at spot rates	Interest rate risk	Recognised in cash flow hedging reserve	Recognised in cost of hedging reserve	Recognised in the income statement	Accrued cash flows	Total	Hedged value of notes and debentures
	A	B	C	D	E	F	G	B to G	A+B+C
GBP	3,158,983	677,503	(558,789)	(59,802)	69,973	(102,632)	106,104	132,357	3,277,697
EUR	7,735,184	378,973	(619,243)	(96,094)	32,873	(93,806)	130,784	(266,513)	7,494,914
CAD	593,850	174,515	(22,001)	(4,929)	3,377	(3,819)	410	147,553	746,364
AUD	704,096	73,450	(4,272)	(1,092)	-	79	(5,119)	63,046	773,274
Total	12,192,113	1,304,441	(1,204,305)	(161,917)	106,223	(200,178)	232,179	76,443	12,292,249

The weighted average interest rate payable is USD LIBOR + 2.03%.

14 Financial risk management (continued)

Movements in reserves relating to hedge accounting

The following table shows a reconciliation of the components of equity and an analysis of the movements in reserves for all hedges.

	Cash flow hedging reserve			Cost of hedging reserve			
2020 US$000	Gross	Tax	Net	Gross	Tax	Net	Total
At the beginning of the financial year	161,917	(48,575)	113,342	(106,223)	31,867	(74,356)	38,986
Add: Change in fair value of hedging instrument recognised in OCI	(306,723)	92,017	(214,706)	-	-	-	(214,706)
Less: Reclassified from reserves to interest expense – recognised through OCI	222,626	(66,788)	155,838	73,580	(22,074)	51,506	207,344
At the end of the financial year	77,820	(23,346)	54,474	(32,643)	9,793	(22,850)	31,624

	Cash flow hedging reserve			Cost of hedging reserve			
2019 US$000	Gross	Tax	Net	Gross	Tax	Net	Total
At the beginning of the financial year	74,916	(22,475)	52,441	-	-	-	52,441
Impact of adoption of IFRS 9/AASB 9	175,681	(52,704)	122,977	(175,681)	52,704	(122,977)	-
Add: Change in fair value of hedging instrument recognised in OCI	(318,120)	95,436	(222,684)	-	-	-	(222,684)
Less: Reclassified from reserves to interest expense – recognised through OCI	229,440	(68,832)	160,608	69,458	(20,837)	48,621	209,229
At the end of the financial year	161,917	(48,575)	113,342	(106,223)	31,867	(74,356)	38,986

14 Financial risk management (continued)

Fair value measurement

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 Group's 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 based on the lowest level input that is significant to the fair value measurement as a whole:

Fair value hierarc	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.

14 Financial risk management (continued)

Financial assets and liabilities

	IFRS 13 Fair value hierarchy Level	IFRS 9/AASB 9 Classification	2020 US$'000	2019 US$'000
Fair value hierarchy [(1)]				
Current cross currency and interest rate swaps	2	Fair value through profit or loss	**1,630,232**	839,786
Other derivative contracts	2	Fair value through profit or loss	**2,459**	49,333
Total other financial assets			**1,632,691**	889,119
Cash and cash equivalents		Amortised cost	**3,304,307**	6,240,088
Trade and other receivables		Amortised cost	**40,514,658**	37,526,117
Total financial assets			**45,451,656**	44,655,324
Non-financial assets			**94,856**	685
Total assets			**45,546,512**	44,656,009
Cross currency and interest rate swaps	2	Fair value through profit or loss	**1,587,760**	916,229
Other derivative contracts	2	Fair value through profit or loss	**29,485**	15,107
Total other financial liabilities			**1,617,245**	931,336
Trade and other payables		Amortised cost	**32,361,165**	31,099,128
Notes and debentures [(2)]		Amortised cost	**11,248,211**	12,192,113
Total financial liabilities			**45,226,621**	44,222,577
Non-financial liabilities			**-**	52,488
Total liabilities			**45,226,621**	44,275,065

(1) All of the Company's financial assets and financial liabilities recognised at fair value were valued using market observable inputs categorised as Level 2.
(2) 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 at the end of each reporting period. There were no transfers between categories during the period.

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 Netting 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.

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 180 days, and net of bank overdrafts.

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

	2020 US$'000	2019 US$'000
USD	**2,301,026**	3,228,800
EUR	**721**	1,578
GBP	**2,582**	2,135
AUD	**999,252**	3,006,814
CAD	**726**	761
Total cash and cash equivalents	**3,304,307**	6,240,088

16 Related party transactions

Ultimate parent entity

The ultimate parent entity of the Company is BHP Group Limited which at 30 June 2020 owns 100% (2019: 100%) of the issued ordinary shares of the Company.

Subsidiaries

The Company holds no interests in subsidiaries as at 30 June 2020 (2019: nil).

Transactions with related parties

	2020 US$'000	2019 US$'000
Transactions with related parties		
Guarantee fees income [(a)]	**7,188**	7,866

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

16 Related party transactions (continued)

Outstanding balances arising from interest received/paid on loans and borrowings with related parties.

	2020 US$'000	2019 US$'000
Outstanding balances with related parties		
Accrued interest receivable from related parties [(a)]	**2,605**	77,539
Accrued interest payable to related parties	**(85,154)**	(107,236)
Income tax receivable/(payable) by ultimate parent on behalf of the Company	**213,881**	242,024
Withholding tax receivable	**3,017**	2,003
Derivative contracts – related party [(b)]	**15,446**	(42,217)

(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

	2020 US$'000	2019 US$'000
Loans to related parties[(1)]		
Beginning of the year	**37,204,551**	39,320,752
Impact of adopting IFRS 9/AASB 9	**-**	(23,288)
Beginning of the year	**37,204,551**	39,297,464
Loans advanced	**16,647,014**	4,731,983
Loans repayment received	**(14,167,199)**	(7,707,651)
Interest received	**(190,486)**	(222,816)
Interest charged	**803,442**	1,103,907
Expected credit losses recovered	**(2,167)**	1,664
End of year	**40,295,155**	37,204,551
Loans from ultimate parent		
Beginning of the year	**(620,561)**	(13,450,920)
Loan repayments made	**-**	12,951,503
Loans received	**(5,237,588)**	-
Interest charged	**(23,173)**	(124,085)
Interest paid	**5,714**	2,116
Foreign exchange revaluation	**(357)**	825
End of year	**(5,875,965)**	(620,561)

16 Related party transactions (continued)

	2020 US$'000	2019 US$'000
Loans from related parties[(1)]		
Beginning of the year	**(30,178,630)**	(21,351,029)
Loan repayments made	**6,333,129**	5,370,650
Loans received	**(1,990,187)**	(13,642,347)
Interest charged	**(620,953)**	(775,775)
Interest paid	**239,569**	219,201
Foreign exchange revaluation	**-**	670
End of year	**(26,217,072)**	(30,178,630)
Total net loans to related parties	**8,202,118**	6,405,360

Reconciliation of loans to/(from) related parties:

	2020 US$'000	2019 US$'000
Current receivables from related parties - interest bearing (Note 7)	**21,698,523**	15,946,085
Non-current receivables from related parties - interest bearing (Note 7)	**18,596,632**	21,258,466
Total loans to related parties	**40,295,155**	37,204,551
Loans from ultimate parent entity (Note 9)	**(5,875,965)**	(620,561)
Total loans from ultimate parent entity	**(5,875,965)**	(620,561)
Current loans from other related parties (Note 9)	**(17,977,223)**	(20,938,781)
Non-current loans from other related parties (Note 9)	**(8,239,849)**	(9,239,849)
Total loans to related parties	**(26,217,072)**	(30,178,630)
Total net loans to related parties	**8,202,118**	6,405,360

(1) Related Parties comprise subsidiary members of the Group.

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

On 2 September 2020, the Group announced that its Board of Directors had approved a global multi-currency subordinated note repurchase plan, targeting Euro subordinated notes issued in 2015. Subsequently, the Group announced the total final acceptance amount is US$41.6 million.

On 13 November 2020, the Group announced that the Board of Directors had approved a global multi-currency subordinated note repurchase plan, targeting EUR dollar subordinated notes issued in 2015 with no aggregate cash spend cap.

19 Auditor's remuneration

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

20 Contingent liabilities

There were no contingent liabilities at 30 June 2020 (2019: US$nil).

21 Commitments

There were no commitments at 30 June 2020 (2019: US$nil).

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 36 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 2020 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards 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:

Bradford Paul Aldred Smith
Director

Dated at Melbourne this 23 day of November 2020

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Building a better working world

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), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors 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 objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Megan Wilson

Megan Wilson
Partner
Sydney
23 November 2020