COMBINED FINANCIAL STATEMENTS

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BHP BILLITON LIMITED ANNUAL REPORT 2005

bhpbilliton

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

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

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

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

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

The financial results of the BHP Billiton Group prepared in accordance with US Generally Accepted Accounting Principles (GAAP) are provided in the 'BHP Billiton Plc Annual Report 2005' (which is prepared in accordance with UK GAAP), or in the 2005 Annual Report of BHP Billiton Limited which will be filed on Form 20-F with the US Securities and Exchange Commission. The 'BHP Billiton Plc Annual Report 2005' and the 2005 Form 20-F will be provided to shareholders on request and free of charge and will be available on the BHP Billiton Group's website *www.bhpbilliton.com*.

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered office: 180 Lonsdale Street, Melbourne Victoria 3000 Australia.
BHP Billiton Plc. Registration Number 3196209. Registered in England and Wales. Registered office: Neathouse Place, London SW1V 1BH UK.

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Statement of Financial Performance for the year ended 30 June 2005

	Notes	2005 US$M(a)	2004 US$M(a)
Revenue from ordinary activities			
Operating revenue	4	**29 649**	22 887
Non-operating revenue	4	**1 458**	626
	10	**31 107**	23 513
deduct			
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	5	**20 697**	17 084
		10 410	6 429
add			
Share of net profit of joint venture and associated entities accounted for using the equity method	10,18	**564**	223
		10 974	6 652
deduct			
Depreciation and amortisation	6	**1 994**	1 793
Borrowing costs	7	**499**	490
Profit from ordinary activities before income tax	10	**8 481**	4 369
deduct			
Income tax expense attributable to ordinary activities	9	**2 240**	870
Net profit		**6 241**	3 499
deduct			
Outside equity interests in net profit of controlled entities		**232**	96
Net profit attributable to members of the BHP Billiton Group		**6 009**	3 403
Non-owner transaction changes in equity			
Net exchange fluctuations on translation of foreign currency net assets and designated foreign currency interest bearing liabilities net of tax		**7**	48
Total direct adjustments to equity attributable to members of the BHP Billiton Group		**7**	48
Total changes in equity other than those resulting from transactions with owners	35	**6 016**	3 451
Basic earnings per share (US cents)	12	**98.1**	54.7
Diluted earnings per share (US cents)	12	**97.6**	54.5

(a) Financial information for 2005 and 2004 represents the financial performance of the BHP Billiton Group (Refer 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements').

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2005

	Notes	2005 US$M[(a)]	2004 US$M[(a)]
Current assets			
Cash assets	36	**1 418**	1 818
Receivables	13	**3 490**	2 778
Other financial assets	14	**212**	167
Inventories	15	**2 542**	1 715
Other assets	16	**160**	176
Total current assets		**7 822**	6 654
Non-current assets			
Receivables	17	**619**	748
Investments accounted for using the equity method	18	**1 525**	1 369
Other financial assets	19	**97**	123
Inventories	20	**103**	45
Property, plant and equipment	21	**30 347**	20 945
Intangible assets	22	**513**	422
Deferred tax assets	9	**660**	502
Other assets	23	**424**	371
Total non-current assets		**34 288**	24 525
Total assets	10	**42 110**	31 179
Current liabilities			
Payables	24	**4 091**	2 590
Interest bearing liabilities	25	**1 500**	1 330
Tax liabilities		**842**	297
Other provisions and liabilities	26	**1 226**	810
Total current liabilities		**7 659**	5 027
Non-current liabilities			
Payables	27	**162**	177
Interest bearing liabilities	28	**9 626**	5 453
Deferred tax liabilities	9	**1 318**	1 053
Other provisions and liabilities	29	**4 981**	4 044
Total non-current liabilities		**16 087**	10 727
Total liabilities	10	**23 746**	15 754
Net assets		**18 364**	15 425
Equity			
Contributed equity – BHP Billiton Limited	30	**1 611**	1 851
Called up share capital – BHP Billiton Plc	30	**1 752**	1 752
Reserves	32	**638**	547
Retained profits	33	**14 022**	10 928
Total BHP Billiton interest		**18 023**	15 078
Outside equity interests	34	**341**	347
Total equity	35	**18 364**	15 425

(a) Financial information for 2005 and 2004 represents the financial position of the BHP Billiton Group (Refer 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements').

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2005

	Notes	2005 US$M(a)	2004 US$M(a)
Cash flows related to operating activities			
Receipts from customers		**30 711**	23 372
Payments in the course of operations		**(20 083)**	(16 806)
Dividends received		**292**	238
Interest received		**79**	78
Borrowing costs (includes capitalised interest)		**(378)**	(370)
Operating cash flows before income tax		**10 621**	6 512
Income taxes paid		**(1 695)**	(1 337)
Net operating cash flows	36	**8 926**	5 175
Cash flows related to investing activities			
Purchases of property, plant and equipment		**(3 831)**	(2 589)
Exploration expenditure (includes capitalised exploration)		**(533)**	(454)
Purchases of investments and funding of joint ventures		**(42)**	(35)
Purchases of, or increased investment in, controlled entities and joint venture interests, net of their cash		**(6 198)**	–
Investing cash outflows		**(10 604)**	(3 078)
Proceeds from sale of property, plant and equipment		**155**	157
Proceeds from sale or redemption of investments		**227**	89
Proceeds from demerger, sale or partial sale of controlled entities, operations, joint venture and associated entities' interests, net of their cash		**675**	179
Net investing cash flows		**(9 547)**	(2 653)
Cash flows related to financing activities			
Proceeds from ordinary share issues		**66**	76
Proceeds from interest bearing liabilities		**5 754**	510
Repayment of interest bearing liabilities		**(1 975)**	(1 336)
Purchase of shares by ESOP trusts		**(47)**	(25)
Share repurchase scheme – BHP Billiton Limited		**(1 792)**	–
Dividends paid		**(1 404)**	(1 501)
Dividends paid to outside equity interests		**(238)**	(75)
Repayment of finance leases		**(22)**	(9)
Net financing cash inflows/(outflows)		**342**	(2 360)
Net (decrease)/increase in cash and cash equivalents		**(279)**	162
Cash and cash equivalents at beginning of financial year		**1 685**	1 531
Effect of foreign currency exchange rate changes on cash and cash equivalents		**(3)**	(8)
Cash and cash equivalents at end of financial year	36	**1 403**	1 685

(a) Financial information for 2005 and 2004 represents the cash flows of the BHP Billiton Group (Refer 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements').

The accompanying notes form part of these financial statements.

Dual Listed Companies Structure and Basis of Preparation of Financial Statements

Merger terms

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed company, and BHP Billiton Plc (previously known as Billiton Plc), a UK listed company, entered into a Dual Listed Companies (DLC) merger. This was effected by contractual arrangements between the Companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the BHP Billiton Group), with neither assuming a dominant role. Under the arrangements:

- the shareholders of BHP Billiton Limited and BHP Billiton Plc have a common economic interest in both Groups;
- the shareholders of BHP Billiton Limited and BHP Billiton Plc take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two Companies effectively vote on a joint basis;
- BHP Billiton Limited and BHP Billiton Plc have a common Board of Directors, a unified management structure and joint objectives;
- dividends and capital distributions made by the two Companies are equalised; and
- BHP Billiton Limited and BHP Billiton Plc each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

If either BHP Billiton Limited or BHP Billiton Plc proposes to pay a dividend to its shareholders, then the other Company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either Company is prohibited by law or is otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then BHP Billiton Limited or BHP Billiton Plc will, so far as it is practicable to do so, enter into such transactions with each other as the Boards agree to be necessary or desirable so as to enable both Companies to pay dividends as nearly as practicable at the same time.

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Limited or BHP Billiton Plc, any change of ownership of any existing shares or securities of BHP Billiton Limited or BHP Billiton Plc, the issue of any shares or securities or any payment by way of consideration, save for the issue by each Company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated. In addition, to achieve a position where the economic and voting interests of one share in BHP Billiton Limited and one share in BHP Billiton Plc were identical, BHP Billiton Limited made a bonus issue of ordinary shares to the holders of its ordinary shares.

Treatment of the DLC merger for accounting purposes

In accordance with the Australian Securities and Investments Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', and an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, this annual financial report presents the financial results of the BHP Billiton Group as follows:

- Results for the years ended 30 June 2005 and 30 June 2004 are of the combined entity including both BHP Billiton Limited and its subsidiaries and BHP Billiton Plc and its subsidiaries;
- Results are presented in US dollars unless otherwise stated; and
- Results of the single parent entity, BHP Billiton Limited, are presented in note 48 to the financial statements.

The full single parent entity financial statements of BHP Billiton Limited are available on the Company's website (*www.bhpbilliton.com*) and are available to shareholders on request, free of charge.

Notes to Financial Statements

1 Statement of accounting policies

The financial report has been prepared as a general purpose financial report which complies with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

Basis of accounting
Subject to the exceptions noted in the paragraphs below dealing with valuation of property, plant and equipment, the financial report is drawn up on the basis of historical cost principles.

The accounting policies have been consistently applied by all entities in the BHP Billiton Group and are consistent with those applied in the prior year.

Principles of consolidation
The financial report of the BHP Billiton Group includes the combination of BHP Billiton Limited, BHP Billiton Plc and their respective subsidiaries. Subsidiaries are entities controlled by either parent entity. Control generally exists where the parent owns a majority of voting rights in the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Where the BHP Billiton Group's interest is less than 100 per cent, the share attributable to outside shareholders is reflected in outside equity interests. The effects of all transactions between entities within the BHP Billiton Group have been eliminated.

Currency of presentation
All amounts are expressed in US dollars unless otherwise stated.

Intangible assets
Amounts paid for identifiable (patents, trademarks and licences) and unidentifiable (goodwill) intangible assets are capitalised and then amortised on a straight-line basis over the expected periods of benefit. Goodwill is amortised over its useful life, not exceeding 20 years, and unamortised balances are reviewed at each balance date to assess the probability of continuing future benefits.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of the unamortised balance of any goodwill capitalised.

Investments accounted for using the equity method
Investments in joint venture and associated entities are accounted for using the equity method of accounting. Under the equity method, the cost of the investment in joint venture and associated entities is adjusted by the BHP Billiton Group's proportionate share of the joint venture entity's net profit or loss.

Joint ventures

Joint venture entities
A joint venture entity is an entity in which the BHP Billiton Group holds a long-term interest and which is jointly controlled by the BHP Billiton Group and one or more other venturers. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity.

Joint venture operations
The BHP Billiton Group has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that these policies are those of the participants, not a separate entity carrying on a trade or business of its own.

The financial statements of the BHP Billiton Group include its share of the assets, liabilities and cash flows in such joint venture operations, measured in accordance with the terms of each arrangement, which is usually pro-rata to the BHP Billiton Group's interest in the joint venture operations.

Foreign currencies
The BHP Billiton Group's reporting and dominant functional currency is US dollars as this is the principal currency in which BHP Billiton Group companies operate.

Transactions denominated in foreign currencies (currencies other than the functional currency of the entity) are recorded using the exchange rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Statement of Financial Position date and the gains or losses on retranslation are included in the Statement of Financial Performance, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration and rehabilitation which are capitalised in property, plant and equipment, and foreign exchange gains and losses on foreign exchange currency borrowings designated as a hedge of foreign currency net assets of self-sustaining operations.

Statements of Financial Performance of subsidiaries and joint venture operations which have functional currencies other than US dollars are translated to US dollars at average rates for the relevant reporting period, other than significant items which are translated at the rate at the date of the transaction. Assets and liabilities are translated at exchange rates prevailing at the relevant Statement of Financial Position date. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint venture operations, together with differences between their Statements of Financial Performance translated at average and closing rates, are shown as a movement in the exchange fluctuation account. Exchange differences arising on long-term foreign currency borrowings used to finance such investments, together with any related taxation effects, are also shown as a movement in the exchange fluctuation account. The balance of the exchange fluctuation account relating to a foreign operation that is disposed of, or partially disposed of, is transferred to retained profits in the year of disposal.

Sales revenue
Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, of an arrangement exists indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the BHP Billiton Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectibility is reasonably assured. This is generally when title passes.

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

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

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

Exploration, evaluation and development expenditure
Development expenditure, including deferred overburden removal costs, for both minerals and petroleum activities is capitalised.

In respect of minerals, exploration and evaluation expenditure is predominantly charged to the Statement of Financial Performance as incurred, in limited circumstances such expenditure is capitalised when:

- it is expected that the expenditure will be recouped by future exploitation or sale; and
- substantial exploration and evaluation activities have identified a mineral resource with sufficient certainty that permits a reasonable assessment of the existence of commercially recoverable reserves.

In respect of petroleum, exploration and evaluation expenditure is accounted for in accordance with the successful efforts method on an area-of-interest basis where:

- significant exploration licence acquisition costs are capitalised and amortised over the term of the licence, except for costs in new unexplored areas which are expensed as incurred;
- administrative costs that are not directed to a specific area-of-interest are expensed in the year in which they are incurred;
- all other exploration and evaluation expenditure is charged against the Statement of Financial Performance except where the expenditure relates to an area-of-interest and it is expected that the expenditure will be recouped by future exploitation or sale, or, at Statement of Financial Position date exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure is capitalised as property, plant and equipment;
- exploratory wells that find oil or gas in an area requiring major capital expenditure before production can begin are continually evaluated to assure that commercial quantities of reserves have been found or that additional exploration work is underway or planned. To the extent it is considered that the relevant expenditure will not be recovered, it is written off; and
- when proved reserves of oil or gas are determined and development is sanctioned and completed, the relevant expenditure, together with related development expenditure, is amortised on a unit of production basis.

Deferred overburden removal costs
Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste, required to be removed to mine the ore. Deferral of costs to the Statement of Financial Position is made, where appropriate, when actual stripping ratios vary from average stripping ratios. Deferral of costs to the Statement of Financial Position is not made where ore is expected to be evenly distributed.

Costs, which have previously been deferred to the Statement of Financial Position (deferred overburden removal costs), are included in the Statement of Financial Performance on a units of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of an operation for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the operation as a whole.

Research and development expenditure
Expenditure for research is included in the Statement of Financial Performance as incurred on the basis that continuing research is part of the overall cost of being in business. To the extent that future benefits deriving from development expenditure are expected beyond any reasonable doubt to exceed such expenditure, these costs are capitalised and amortised over the period of expected benefit.

Borrowing costs
Borrowing costs are generally expensed as incurred except where they relate to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Borrowing costs are capitalised up to the date when the asset is ready for its intended use. The amount of borrowing costs capitalised (gross of tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

Property, plant and equipment

Valuation in financial statements
Property, plant and equipment has been recorded at cost.

Recoverable amounts of non-current assets
All non-current assets are reviewed at least annually to determine whether their carrying amounts require write-down to recoverable amounts. Assets are reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded and the asset written down, based on the amount by which the asset carrying amount exceeds the higher of net realisable value and estimated recoverable amount. Estimated recoverable amount is determined by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flows are estimated based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves, operating costs, reclamation costs and capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in

circumstances will alter these projections, which may impact the recoverability of these assets.

Current values of land and buildings
The current value of land is determined mainly by reference to rating authority valuations or cost for recent acquisitions, except where land is an integral part of a producing asset with no significant value beyond such use, in which case book value is used. The current value of buildings is based primarily on depreciated replacement value. Buildings which are integral parts of producing plant are classified as plant and equipment and accordingly excluded from this valuation.

Disposals
Disposals are taken to account in profit/(loss) from ordinary activities. Where they represent the sale or abandonment of a significant business or all of the assets associated with such a business, they are treated as significant items.

Mineral rights
Mineral rights acquired by the BHP Billiton Group are accounted for at cost with provisions made where impairments in value have occurred. Exploitable mineral rights are capitalised and depreciated from commencement of production over the production life of the asset.

Mineral leases
The BHP Billiton Group's mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

Depreciation of property, plant and equipment
The carrying amount of property, plant and equipment (including the original capital expenditure and any subsequent capital expenditure) is depreciated to its estimated residual value over the useful economic lives of the specific assets concerned or the life of the mine or lease, if shorter. The major categories of property, plant and equipment are depreciated on a units of production and/or straight-line basis as follows:

- Buildings – 25 to 50 years straight-line
- Freehold land – not depreciated
- Plant, machinery and equipment – 4 to 30 years straight-line
- Mineral rights – based on the estimated life of reserves on a units of production basis
- Exploration, evaluation and development expenditure of minerals assets and other mining assets – over the life of the proven and probable reserves on a units of production basis
- Petroleum interests – over the life of the proved developed oil and gas reserves on a units of production basis
- Leasehold land and buildings – over the life of the lease up to a maximum of 50 years
- Vehicles – 3 to 5 years straight-line
- Capitalised leased assets – up to 50 years or life of lease, whichever is shorter
- Computer systems – up to 8 years straight-line

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

Leased assets
Assets held under leases which result in the BHP Billiton Group receiving substantially all the risks and rewards of ownership of the asset (finance leases) are capitalised as property, plant and equipment at the estimated present value of the minimum lease payments.

The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Operating lease assets are not capitalised and rental payments are generally included in the Statement of Financial Performance on a straight-line basis over the lease term. Provision is made for future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no probable future benefit. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

Other financial assets
Non-current other financial assets are stated individually at cost less provision for impairments.

Current other financial assets are recorded at the lower of cost and net realisable value and dividends are included in the Statement of Financial Performance on a receivable basis. Interest is included in the Statement of Financial Performance on an accrual basis. In determining net realisable values, market values are used in the case of listed investments and Directors' estimates are used in the case of unlisted investments.

Inventories
Inventories, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. In some cases, the first-in-first-out method or actual cost is used. For processed inventories, cost is derived on an absorption costing basis. Cost comprises cost of purchasing raw materials and cost of production, including attributable mining and manufacturing overheads.

Taxation
Tax-effect accounting is applied in respect of income tax and resource rent tax. Deferred tax liabilities, the provision for resource rent tax (non-current liabilities) and deferred tax assets (non-current assets) represent the tax effect of timing differences which arise from the recognition in the financial statements of items of revenue and expense in periods different to those in which they are assessable or allowable for income tax or resource rent tax purposes.

Income taxes have not been provided on undistributed overseas earnings of controlled entities to the extent the earnings are intended to remain indefinitely invested in those entities.

Deferred tax is not recognised on the difference between the carrying amounts and fair value of non-monetary assets arising on acquisitions or purchased fixed assets which have subsequently been revalued unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised.

Future income tax and capital gains tax benefits in respect of losses incurred by BHP Billiton Group companies together with carried forward resource rent tax benefits are included in the Statement of Financial Performance where realisation of the benefits is considered to be virtually certain. In so doing it is recognised that the realisation of the benefits will depend upon:

(a) an expectation that legislation will not change in a manner which would adversely affect the ability of the companies concerned to realise the benefits;

(b) the ability of the companies concerned to comply with the conditions for deductibility imposed by law; and

(c) the ability of the companies concerned to derive future assessable income of a nature and of sufficient amount to enable the benefits to be realised, or to transfer tax losses to related companies.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the timing differences are expected to reverse.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

Tax consolidation
During the year ended 30 June 2004, the Group elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government.

As a consequence, and in accordance with Urgent Issues Group Abstract 52, the head entity in each of the tax consolidated groups recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in that group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising from its own transactions, events and balances. Entities within a tax consolidated group enter into a tax sharing agreement and tax contribution agreement with the head entity of each tax consolidated group. Amounts receivable or payable under a tax sharing and contribution agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax contribution agreement are recognised as a component of income tax expense or revenue.

Upon initial implementation, the deferred tax balances in relation to a wholly-owned entity joining each tax consolidated group are measured as if it were a stand alone entity and essentially this method of calculating the contribution requires calculation of the tax as if the entity had not been a member of the tax consolidated group, with one exception. The deferred tax balances relating to assets that have their tax values reset on joining a tax consolidated group are remeasured based on the carrying amount of those assets at a tax consolidated group level and their reset tax values. The remeasurement adjustments to these deferred tax balances are recognised in the consolidated financial statements as income tax expense or revenue.

Provision for employee benefits
Provision is made in the financial statements for all employee benefits, including on-costs. In relation to industry-based long service leave funds, the BHP Billiton Group's share of receivables and payables, including obligations for funding shortfalls, have been recognised.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with annual leave above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Employee share awards
The estimated cost of share awards made by the BHP Billiton Group is charged to the Statement of Financial Performance over the period from grant date to the date of expected vesting (where there are no performance hurdles) or the performance period, as appropriate. The accrued employee entitlement is recorded as an equal credit to the Employee Share Awards reserve. The estimated cost of awards is based on the market value of shares at the grant date (in the case of Long Term Incentive Plan Performance Shares, Group Incentive Scheme Performance Shares, Performance Rights, the Bonus Equity Plan, the Restricted Share Scheme and Co-Investment Plan) or the intrinsic value of options awarded (being the difference between the exercise price and the market price at the date of granting the award), adjusted to reflect the impact of performance conditions, where applicable.

Where awards are satisfied by on-market purchases, the cost of acquiring the shares is carried in the Employee Share Awards reserve, and any difference between the cost of awards and the consideration paid to purchase shares on-market is transferred to retained earnings when the shares vest to the employees unconditionally. In addition, the assets and liabilities of Employee Share Ownership Plan trusts utilised by the BHP Billiton Group to hold shares for employee remuneration schemes are consolidated.

Superannuation, pensions and other post-retirement benefits
The BHP Billiton Group operates or participates in a number of pension (including superannuation) schemes throughout the world. The funding of the schemes complies with local regulations. The assets of the schemes are generally held separately from those of the BHP Billiton Group and are administered by trustees or management

boards. For schemes of the defined-contribution type or those operated on an industry-wide basis, where it is not possible to identify assets attributable to the participation by the BHP Billiton Group's employees, the pension charge is calculated on the basis of contributions payable.

For defined benefit schemes, the cost of providing pensions is charged to the Statement of Financial Performance so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice. This is consistent with the principles of the UK Statement of Standard Accounting Practice (SSAP) 24 'Accounting for Pension Costs'. This basis of measurement takes into account the performance of scheme assets and changes in the funded status of each scheme, to the extent that deficits represent a legal or constructive obligation of the Group to its employees and that surpluses are recoverable by the Group over the expected remaining service lives of employees. A pension liability or asset is consequently recognised in the Statement of Financial Position to the extent that the contributions payable either lag or precede expense recognition. The liability or asset therefore represents those funding deficits or surpluses together with changes in the funding status of the schemes that will be recognised in the Statement of Financial Performance in future periods.

Certain BHP Billiton Group companies provide post-retirement medical benefits to qualifying employees. In some cases the benefits are provided through medical care schemes to which the company, the employees, the retirees and covered family members contribute. In some schemes there is no funding of the benefits before retirement. For the unfunded schemes and for funded schemes, where it is possible to identify assets that are attributable to current and future retirees of the BHP Billiton Group companies, the cost of providing the post-retirement benefits is charged to the Statement of Financial Performance so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice, in a manner similar to that applied for defined benefit pension schemes. For other funded schemes the charge to the Statement of Financial Performance is calculated on the basis of premiums payable.

Provision for restoration and rehabilitation

BHP Billiton Group companies are generally required to restore mines, oil and gas facilities and processing sites, either during or at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the BHP Billiton Group's environmental policies.

The expected cost of any approved decommissioning or restoration programme, discounted to its net present value, is provided when the related environmental disturbance occurs, based on the BHP Billiton Group's interpretation of environmental and regulatory requirements and its own environmental policies where these are more stringent and this has created an obligation on the BHP Billiton Group. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and any related asset, and the effect is then recognised in the Statement of Financial Performance on a prospective basis over the remaining life of the operation.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances. Such costs are recognised where environmental contamination as a result of oil and chemical spills, seepage or other unforseen events give rise to a loss which is probable and reliably estimable.

The cost of other activities to prevent and control pollution and to rehabilitate the environment that is not included in provisions is charged to the Statement of Financial Performance as incurred.

Financial instruments

The BHP Billiton Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices and, in certain circumstances, uses derivative financial instruments (including cash settled commodity contracts) to hedge these risks.

When undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both realised and unrealised transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of that transaction will be included in the Statement of Financial Performance whether or not such derivative is terminated.

When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a) deferred and included in the measurement of the anticipated transaction when it occurs; or

(b) included in the Statement of Financial Performance where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in other assets and are deferred and included in the settlement of the underlying transaction.

Use of estimates

The preparation of the BHP Billiton Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenue and costs during the period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and costs. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Comparatives
Where applicable, comparatives have been adjusted to disclose them on a comparable basis with current period figures.

Amounts owing to joint venture participants of US$196 million at 30 June 2004 were reclassified from current payables to current interest bearing liabilities to better reflect the funding nature of these amounts.

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

	Average 2005	Average 2004	**As at 30 June 2005**	As at 30 June 2004
Australian dollar [(a)]	**0.75**	0.71	**0.76**	0.69
Brazilian real	**2.73**	2.94	**2.36**	3.11
Canadian dollar	**1.25**	1.35	**1.23**	1.35
Chilean peso	**595**	634	**579**	637
Colombian peso	**2 454**	2 779	**2 329**	2 699
South African rand	**6.21**	6.89	**6.67**	6.27
Euro	**0.79**	0.84	**0.83**	0.83
UK pound sterling	**0.54**	0.58	**0.55**	0.56

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

2 Significant items

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

Year ended 30 June 2005	**Gross US$M**	**Tax US$M**	**Net US$M**
Significant items by category			
Sale of equity interest in North West Shelf Project	**56**	**–**	**56**
Sale of Laminaria and Corallina	**134**	**(10)**	**124**
Disposal of Chrome operations	**142**	**(6)**	**136**
Restructuring provisions	**(79)**	**23**	**(56)**
Provision for termination of operations	**(266)**	**80**	**(186)**
Closure plans	**(121)**	**17**	**(104)**
Total by category	**(134)**	**104**	**(30)**
Significant items by Customer Sector Group			
Petroleum	**190**	**(10)**	**180**
Base Metals	**(30)**	**(4)**	**(34)**
Carbon Steel Materials	**(285)**	**80**	**(205)**
Energy Coal	**(93)**	**27**	**(66)**
Diamonds and Specialty Products	**(6)**	**1**	**(5)**
Stainless Steel Materials	**137**	**(5)**	**132**
Group and unallocated items	**(47)**	**15**	**(32)**
Total by Customer Sector Group	**(134)**	**104**	**(30)**

Sale of equity interest in North West Shelf Project
During the year ended 30 June 2005, BHP Billiton sold an equity participation in the North West Shelf (NWS) Project to China National Offshore Oil Corporation (CNOOC). CNOOC purchased an interest in a new joint venture that is being established within the NWS Project to supply LNG to the Guangdong LNG Project in China. CNOOC will acquire title to approximately 5.8 per cent of current NWS Project gas reserves and rights to process its gas and associated LPG and condensate through NWS venture offshore and onshore infrastructure. CNOOC paid each joint venture partner US$59 million resulting in a profit on sale of US$56 million (no tax effect).

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

Disposal of Chrome operations
Effective 1 June 2005, BHP Billiton disposed of its economic interest in the majority of its South African chrome business to the Kermas Group. The total proceeds on the sale were US$421 million, resulting in a profit of US$127 million (US$1 million tax expense) in accordance with

2 Significant items continued

Australian GAAP. In addition, the Group sold its interest in the Palmiet chrome business to Mogale Alloys in May 2005 for proceeds of US$12 million, resulting in a profit of US$15 million (US$5 million tax expense).

The BHP Billiton share of profit before tax on disposal of the Chrome operations is US$90 million (US$4 million tax expense), whilst the minority interest in the profit after tax of the disposal was US$50 million.

Restructuring provisions
The Group is required to record a charge against earnings in respect of restructuring certain operations. This totalled US$79 million (US$56 million after tax) and related to a charge of US$50 million (US$15 million tax benefit) in respect of restructuring associated with the acquisition of WMC in June 2005 primarily relating to redundancy and termination costs, office closures and termination of previous contractual arrangements, and a charge of US$29 million (US$8 million tax benefit) for other restructurings, primarily for redundancies at Ingwe (South Africa).

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

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

Year ended 30 June 2004	Gross US$M	Tax US$M	Net US$M
Significant items by category			
Introduction of tax consolidation regime in Australia	–	267	267
Litigation settlement	66	(18)	48
US and Canadian taxation deductions	–	238	238
Closure plans	(534)	22	(512)
Total by category	(468)	509	41
Significant items by Customer Sector Group			
Petroleum	66	(18)	48
Base Metals	(482)	11	(471)
Stainless Steel Materials	(10)	3	(7)
Group and unallocated items	(42)	513	471
Total by Customer Sector Group	(468)	509	41

Introduction of tax consolidation regime in Australia
During the year ended 30 June 2004, BHP Billiton elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government. Under the transitional rules, the Group chose to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of these assets. This resulted in the restatement of deferred tax balances and a tax benefit of US$267 million being recorded in accordance with Urgent Issues Group Abstract 52.

Litigation settlement
In December 2003, BHP Billiton announced that it was part of a consortium that had reached a settlement with Dalmine SpA with respect to a claim brought against Dalmine in April 1998. The claim followed the failure of an underwater pipeline installed in 1994 in the Liverpool Bay area of the UK continental shelf. As a result of the settlement, BHP Billiton recorded a gain of US$66 million, before tax expense of US$18 million.

US and Canadian taxation deductions
During the year ended 30 June 2004, the level of certainty regarding potential benefits arising from prior period taxation deductions and foreign tax credits available in the US and Canada increased to the extent that some of the provisions against deferred tax assets established in prior years were no longer necessary. This was a result of higher income generation, changes in legislation and effective utilisation of tax credits during the year, along with increasing confidence regarding the ability to realise benefits in the future. Accordingly, the Group recorded a tax benefit of US$238 million.

Closure plans
During the year ended 30 June 2004, the Group refined its plans in relation to certain closed operations. In relation to the Group's Southwest Copper business in the US, this resulted in a charge of US$425 million resulting from a re-estimation of short-term closure costs and the inclusion of residual risks, longer-term water management and other costs, and an increase in the residual value of certain assets. Additionally, at other closed sites a charge of US$109 million (before a tax benefit of US$22 million) was recorded, mainly in relation to the Island Copper mine, the Newcastle Steelworks and the Selbaie copper mine. Accordingly, the Group has recorded a net after-tax loss of US$512 million. Refer note 29.

3 Acquired operations

On 3 June 2005 the BHP Billiton Group obtained control of WMC Resources Ltd (WMC) with acceptance for 76.25 per cent of the equity shares. On 17 June the BHP Billiton Group had acquired more than 90 per cent of the equity shares in WMC, which triggered the compulsory acquisition of all remaining shareholdings. Payment for 100 per cent ownership was completed on 2 August. WMC was acquired for a total cash consideration of US$7 229 million made up of a price of A$7.85 per share plus acquisition related costs.

WMC was one of Australia's leading resource companies. WMC's major assets are:

- the Olympic Dam copper/uranium/gold mine and related treatment plants located in South Australia;
- an integrated nickel mining, refining and smelting business with operations in Western Australia;
- The Queensland Fertilizer Operations (QFO) which consists of an integrated phosphate mine and ammonium phosphate fertiliser production facility; and
- the Corridor Sands mineral sands project in Mozambique.

Olympic Dam produces copper, uranium, gold and silver. It is the fourth largest copper reserve, the fourth largest gold reserve and the largest uranium reserve in the world, and is the largest underground mine in Australia. Olympic Dam consists of an underground mine and a mineral processing plant, smelter and refinery with associated supporting infrastructure. Copper and uranium sales are the major revenue stream for Olympic Dam. Gold and silver are also mined and sold. Uranium oxide concentrate is sold under long-term contracts with major international power companies.

The WMC nickel operations consist of ore treatment facilities at Kambalda, mining and milling operations at Mt Keith and Leinster, a nickel smelter in Kalgoorlie and a refinery in Kwinana. WMC purchases nickel ore from a variety of mines for processing through the treatment facility at Kambalda. Kambalda concentrate is transported to the nickel smelter at Kalgoorlie. Mt Keith is a large open-cut mine where ore is mined and the concentrate transported to Leinster for drying. Leinster comprises both underground and open-cut mines as well as treatment and drying facilities. Blended concentrate from Leinster and Mt Keith is transported to the smelter. The smelter processes the concentrate received and produces nickel matte, of which the majority is further processed at the Kwinana refinery to produce high purity nickel briquettes, nickel powder and other nickel intermediate products. The nickel concentrate, matte and metal production is exported to Asia, Europe and North America and is principally used in making stainless steels.

WMC's fertiliser operations consists of QFO, which is an ammonium phosphate manufacturing facility with distribution and marketing operations, and a one-third investment in Hi-Fert, which distributes and markets fertiliser products. QFO produces and markets di-ammonium phosphate and mono-ammonium phosphate. The QFO includes a sulphuric acid plant at Mt Isa, a mining operation and fertiliser plant at Phosphate Hill and storage and port facilities at Townsville. The finished product is distributed in Australia by Incitec Pivot, Hi-Fert, Summitt and Impact, and by Cargill internationally under a marketing agreement. Hi-Fert procures, markets and distributes all major fertilisers into eastern Australia and is the second largest distributor to that region. Hi-Fert owns patented coating technology that it uses to provide value-added products including zinc and sulphur-coated products.

WMC's Corridor Sands mineral sands project is located in Mozambique and is expected to culminate in an integrated mining, concentration and smelting operation to produce titanium dioxide slag. Titanium dioxide feedstocks are used to produce pigments, titanium metal and other specialist products.

BHP Billiton expects the acquisition of WMC to provide a number of benefits. These include the following:

- WMC's nickel business comprises an outstanding set of assets, in terms of operating capability, country risk, scale and environmental standards, which complements BHP Billiton's existing nickel business. The combined business will have a range of operations, products and technologies that will provide a robust and flexible platform for further growth.
- BHP Billiton now operates two of the world's four largest copper deposits. BHP Billiton's track record in developing and operating Escondida, the world's largest copper mine, will allow the Group to maximise the value of the large, long-life Olympic Dam resource base.
- BHP Billiton is now a major producer of uranium with the largest resource base in the world. Uranium is an important energy source in an increasingly energy intensive world. Not only is this valuable on a stand-alone basis, but it complements BHP Billiton's existing energy portfolio of oil, gas and coal.
- BHP Billiton can maximise synergies in the nickel and copper business, marketing and other corporate functions. BHP Billiton will eliminate duplicate functions by using the proven systems and processes that were successfully used following the BHP Billiton merger in 2001.

3 Acquired operations continued

The following table details the fair value of the net assets acquired:

	Book value US$M	Adjustment for accounting policies US$M	Provisional fair value adjustments US$M	Provisional fair value US$M
Cash assets	396	–	–	396
Receivables	444	–	(162)	282
Inventories	520	(21)	116	615
Investments accounted for using the equity method	33	–	(8)	25
Property, plant and equipment	4 428	–	2 708	7 136
Other assets	84	–	(1)	83
Current liabilities	(477)	(5)	35	(447)
Non-current liabilities	(1 454)	(42)	452	(1 044)
Net assets acquired	3 974	(68)	3 140	7 046
Goodwill				183
Total cost of acquisition				7 229
Total cost of acquisition satisfied by the following consideration:				
Cash paid				6 594
Cash payable				635
				7 229

The book values included in the table above are the Australian dollar values of WMC assets and liabilities acquired converted to US dollars at the acquisition day rate of 0.7556.

Due to the complexity and timing of this acquisition, the fair values currently established are provisional and are subject to review during the year ended 30 June 2006.

The material provisional fair value adjustments principally relate to:

- Property, plant and equipment reflecting the fair value of mineral assets, together with revaluation of property, plant and equipment representing replacement cost and estimated remaining useful lives;
- Investments have been revalued to reflect current market values;
- An upward revaluation of inventory balances held at Olympic Dam and nickel operations. This is a result of the fair value principles applying where the fair value is broadly defined as selling prices less costs to sell, less a reasonable profit margin for the selling effort of the acquirer. Essentially this results in a 'sales price' being applied to value inventory as opposed to the cost recorded in the acquirer's balance sheet. As a result of this treatment, sales margins have been recognised in advance of the inventory being sold external to the Group. When the inventory on hand at the date of acquisition is subsequently sold external to the Group, effectively no margin will be realised;
- Debtors and creditors have been revalued to reflect the expected timing and amount of settlements. External fixed rate debt and derivative financial instruments have been revalued to reflect current market terms. Deferred gains and losses relating to commodity price and foreign currency hedging arrangements have been de-recognised;
- Provisions include the recognition of accumulated unfunded pension liabilities; and
- Deferred tax asset and liability balances have been adjusted to take into account revised fair values for book purposes and resetting of tax bases as a result of the acquisition, where applicable. Deferred tax balances relating to tax losses have been adjusted where it is not virtually certain that the Group will be able to utilise the losses.

A number of the revaluation adjustments have resulted in policy alignment with BHP Billiton accounting policies and relate to:

- BHP Billiton policy in respect of decommissioning, site restoration and environmental rehabilitation provisions requires that the present value of estimated future costs of rehabilitation of operating sites is capitalised where it gives rise to future benefits and amortised over the life of the operation. Additional provisions have been raised in accordance with this policy.
- Under BHP Billiton's accounting policies, mined ore stocks held underground are not recorded as inventory until the ore is brought above ground. Accordingly, underground stocks held by WMC at the date of acquisition have been adjusted to a value of nil.

At the date of acquisition, the application of BHP Billiton policy will result in WMC adopting the US dollar as the functional currency for the majority of its operations. The provisional fair values for non-monetary items in US dollars included in the table above will represent the acquisition historical rate for WMC by BHP Billiton. The treatment of foreign currencies is detailed in the Accounting Policies section of these financial statements.

Since the acquisition, WMC cash flows have contributed US$16 million to the Group's net operating cash flows, US$50 million to net investing cash outflows and US$2 million to net financing cash inflows.

The unaudited Summarised Statement of Financial Performance of WMC for the period 1 January 2005 to 3 June 2005 prepared in accordance with the accounting policies applicable to WMC for that period prior to acquisition by BHP Billiton were as follows:

Summarised Statement of Financial Performance for the period 1 January 2005 to 3 June 2005

	US$M
Revenue from ordinary activities	**1 322**
Profit from ordinary activities before income tax	**394**
Income tax expense attributable to ordinary activities	**(108)**
Net profit	**286**
Net exchange differences recognised directly to equity	**2**
Total changes in equity other than those resulting from transactions with owners	**288**

The amounts included in the table above are the Australian dollar values converted to US dollars at an average rate for the period of A$1 = US$0.7739.

Statement of Financial Performance for the year ended 31 December 2004
For the year ended 31 December 2004, WMC reported an audited post-tax profit of A$1 327 million (US$977 million) prepared in accordance with the accounting policies used by WMC for the financial year to 31 December 2004.

4 Revenue from ordinary activities

	2005 US$M	2004 US$M
Operating revenue		
Sale of goods [(a)]	**28 805**	22 123
Rendering of services	**844**	764
Total operating revenue	**29 649**	22 887
Non-operating revenue		
Interest income	**99**	73
Discounting on assets	**8**	5
Exchange differences on cash assets	**9**	5
Interest revenue	**116**	83
Dividend income	**37**	35
Proceeds from sales of non-current assets	**472**	277
Proceeds from sales of operations	**563**	–
Other income	**270**	231
Total non-operating revenue	**1 458**	626

(a) Cost of goods sold for the BHP Billiton Group was US$17 012 million (2004: US$14 279 million).

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

	2005 US$M	2004 US$M
Changes in inventories of finished goods and work in progress	**(232)**	(184)
Raw materials and consumables used	**4 015**	3 116
External services (including transportation)	**4 802**	3 450
Third party commodity purchases	**6 329**	5 837
Employee benefits expense (a)	**2 652**	2 177
Net book value of non-current assets sold	**304**	176
Net book value of operations sold	**287**	–
Diminution in value of non-current assets	**16**	116
Resource rent taxes	**498**	432
Rental expense in respect of operating leases (b)	**232**	172
Government royalties paid and payable (c)	**629**	421
Royalties other	**87**	36
Other	**1 078**	1 335
Total expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	**20 697**	17 084

(a) Includes US$122 million (2004: US$96 million) for employee share awards.
(b) Represents minimum lease payments.
(c) Includes amounts paid or payable to Australian governments of US$446 million (2004: US$262 million) and to other governments of US$183 million (2004: US$159 million).

6 Depreciation and amortisation

	2005 US$M	2004 US$M
Depreciation relates to		
Buildings	**135**	122
Plant, machinery and equipment	**1 417**	1 299
Mineral rights and other mineral assets	**266**	188
Exploration, evaluation and development expenditure	**128**	131
Capitalised leased assets	**4**	9
Total depreciation	**1 950**	1 749
Amortisation relates to		
Goodwill	**44**	44
Total amortisation	**44**	44
Total depreciation and amortisation	**1 994**	1 793

7 Borrowing costs

	2005 US$M	2004 US$M
Borrowing costs paid or due and payable		
On interest bearing liabilities	**379**	365
On finance leases	**6**	2
Total borrowing costs	**385**	367
deduct		
Amounts capitalised [(a)]	**85**	97
	300	270
add		
Discounting on provisions and other liabilities	**175**	111
Exchange differences on Group borrowings [(b)]	**24**	109
Borrowing costs charged against net profit from ordinary activities	**499**	490

(a) Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction or, where financed through general borrowings, at a capitalisation rate representing the average borrowing cost of the Group's interest bearing liabilities. The capitalisation rate was 4.6 per cent (2004: 4.6 per cent).

(b) Exchange differences primarily represent the effect on borrowings of the movement in the South African rand against the US dollar.

8 Other profit and loss items

	2005 US$M	2004 US$M
Net profit before tax from ordinary activities is after crediting the following items:		
Profits from sales of		
Investments	**43**	6
Property, plant and equipment	**130**	98
Operations	**276**	–
Net movement in the doubtful debts provision in respect of		
Trade receivables	**–**	1
Sundry receivables	**2**	5
Reversals of impairment losses	**–**	95
Net profit before tax from ordinary activities is after charging the following items:		
Losses from sales of		
Property, plant and equipment	**5**	3
Diminution in value of		
Investments	**–**	3
Property, plant and equipment (excluding depreciation)	**14**	61
Exploration, evaluation and development expenditures		
Incurred and expensed in current period	**351**	284
Previously capitalised, written off as unsuccessful or abandoned	**2**	52
Net foreign exchange loss		
Borrowings	**24**	109
Other	**103**	65
Bad debts written off in respect of		
Sundry receivables	**1**	1
Research and development costs before crediting related grants	**33**	19
Material transfers to/(from) provision for		
Resource rent tax	**34**	30
Employee benefits	**408**	391
Restoration and rehabilitation	**331**	791
Restructuring	**283**	(29)
Post-retirement benefits	**48**	62

8 Other profit and loss items continued

	2005 US$M	2004 US$M
Remuneration of auditors		
Audit fees payable by the BHP Billiton Group to:		
Auditors of the BHP Billiton Group [(a)]		
KPMG	**10.087**	7.751
PricewaterhouseCoopers	**0.577**	0.537
Total audit fees	**10.664**	8.288
Fees payable by the BHP Billiton Group to auditors for other services		
Auditors of the BHP Billiton Group		
Audit related services [(b)]		
KPMG	**1.141**	0.354
Taxation services [(c)]		
KPMG	**1.500**	1.525
Other services [(d)]		
KPMG	**0.110**	0.313
PricewaterhouseCoopers	**1.457**	0.418
Total other services	**4.208**	2.610
Total fees	**14.872**	10.898

(a) During the year ended 30 June 2004, the BHP Billiton Group completed a review of its joint external audit arrangements and KPMG was selected to continue as sole auditor. Audit fees for PricewaterhouseCoopers in 2005 arose as a result of the acquisition of WMC where PricewaterhouseCoopers were auditors of WMC up to 30 June 2005.

(b) Mainly includes accounting advice and services associated with securities offerings. For the year ended 30 June 2005, audit fees of US$0.328 million (2004: US$0.252 million) relating to pension plans, which are not directly payable by the BHP Billiton Group, have been excluded from the above analysis.

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

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

9 Income tax

	2005 US$M	2004 US$M
Income tax expense		
Prima facie tax calculated at 30 per cent on profit from ordinary activities	**2 544**	1 311
***add/(deduct)* tax-effect of permanent differences:**		
Investment and development allowance	**(153)**	(83)
Amounts under/(over) provided in prior years	**60**	(14)
Recognition of prior year tax losses and tax credits	**(84)**	(316)
Non-deductible accounting depreciation and amortisation	**75**	68
Non-deductible dividends on redeemable preference shares	**9**	8
Non tax-effected operating losses	**84**	222
Tax rate differential on non-Australian income	**10**	(49)
Non tax-effected capital gains	**(70)**	(5)
Foreign expenditure including exploration not presently deductible	**7**	5
South African secondary tax on companies	**32**	–
Foreign exchange losses on current and deferred tax balances	**37**	76
Other foreign exchange gains and translation adjustments	**(156)**	(26)
Tax rate changes	**(17)**	13
Introduction of Australian tax consolidation regime	**–**	(267)
Other	**(138)**	(73)
Income tax expense attributable to ordinary activities	**2 240**	870
Deferred tax assets (non-current)		
Deferred tax assets at year end comprises:		
Depreciation	**(132)**	(172)
Exploration expenditure	**70**	80
Provisions		
Employee benefits	**27**	34
Restoration and rehabilitation	**25**	42
Other	**37**	39
Deferred income	**21**	23
Foreign exchange (gains)/losses	**(1)**	5
Foreign tax credits	**342**	179
Deferred charges	**(131)**	(178)
Profit in inventory elimination	**42**	18
Tax-effected losses	**300**	380
Other	**60**	52
Total deferred tax assets	**660**	502

9 Income tax continued

	2005 US$M	2004 US$M
Deferred tax liabilities (non-current)		
Provision for deferred income tax at year end comprises:		
Depreciation	**2 031**	1 629
Exploration expenditure	**(51)**	(5)
Provisions		
Employee benefits	**(159)**	(98)
Restoration and rehabilitation	**(476)**	(329)
Resource rent tax	**(122)**	(111)
Other	**(8)**	55
Deferred income	**(79)**	(89)
Deferred charges	**270**	136
Foreign exchange losses	**(203)**	(181)
Tax-effected losses	**(67)**	(46)
Other	**174**	82
Total provision for deferred income tax	**1 310**	1 043
Non-current provision for income tax	**8**	10
Total deferred tax liabilities	**1 318**	1 053

Factors that may affect future tax charges
The BHP Billiton Group operates in many countries across the world, each with separate taxation authorities which results in significant complexity. At any point in time there are tax computations which have been submitted but not agreed by those tax authorities and matters which are under discussion between Group companies and the tax authorities. The Group provides for the amount of tax it expects to pay taking into account those discussions and professional advice it has received. Whilst conclusion of such matters may result in amendments to the original computations, the Group does not believe that such adjustments will have a material adverse effect on its financial position, though such adjustments may be significant to any individual year's Statement of Financial Performance.

Those countries where tax rates are higher than the UK tax rate of 30 per cent include Canada (approximately 36 per cent), Colombia (37 per cent), Chile (effective rate of 35 per cent), South Africa (effective rate of approximately 37 per cent) and the US (35 per cent). Furthermore, petroleum operations in the UK are subject to an additional 10 per cent tax above the ordinary UK tax rate of 30 per cent.

The BHP Billiton Group's subsidiaries generally have tax balances denominated in currencies other than US dollars. Where the subsidiary has a US dollar functional currency, any adjustments on translation of such balances will be taken to the tax charge for the period. The level of such adjustments in future years is dependent upon future movements in exchange rates relative to the US dollar.

As at 30 June 2005, the BHP Billiton Group has not recognised a potential tax expense of US$516 million (2004: US$255 million; 2003: US$240 million), which mainly relates to the tax impact of unrealised foreign exchange gains and losses on US dollar net debt held by subsidiaries which maintain local currency records for tax purposes. The tax expense will be recognised when such gains and losses are realised for tax purposes.

In June 2005, the Australian Taxation Office (ATO) issued assessments against BHP Billiton subsidiary BHP Billiton Finance Ltd in respect of the 2000–2002 financial years. The assessments relate to the deductibility of bad debts in respect of funding Australian subsidiary company operations. The assessments are for primary tax of US$444 million and interest (net of tax) and penalties of US$284 million.

In August 2005, the ATO advised it will be issuing further flow on amended assessments for subsidiaries which received related loss transfers from BHP Billiton Finance Ltd involving primary tax of approximately US$118 million and interest (net of tax) and penalties of US$76 million.

Objections are being lodged against all assessments. As at 30 June 2005 the total amount in dispute relating to loans to subsidiaries which undertook the Beenup, Boodarie Iron and Hartley projects is approximately US$963 million including accrued interest on unpaid amounts (after tax). An amount of US$414 million has been paid pursuant to ATO disputed assessments guidelines, of which US$368 million was paid in July 2005. Upon any successful challenge of the assessments, any sums paid will be refundable with interest.

The Group has taken legal advice and remains confident of its position and intends to vigorously defend the claims.

Tax losses and timing differences
At 30 June 2005, the BHP Billiton Group has ordinary tax losses and capital losses of approximately US$3 591 million (2004: US$2 535 million), and gross timing differences of US$2 025 million (2004: US$1 586 million) which have not been tax effected. The Group recognises tax losses to the extent that it expects to earn virtually certain future profits that can absorb those losses.

10 Segment results

The BHP Billiton Group has grouped its major operating assets into the following Customer Sector Groups (CSGs):

- Petroleum (exploration for and production, processing and marketing of hydrocarbons including oil, gas and LNG);
- Aluminium (exploration for and mining of bauxite, processing and marketing of aluminium and alumina);
- Base Metals (exploration for and mining, processing and marketing of copper, silver, zinc, lead and copper by-products including gold);
- Carbon Steel Materials (exploration for and mining, processing and marketing of coking coal, iron ore and manganese);
- Diamonds and Specialty Products (EKATI diamond mine, titanium operations, fertilisers, exploration and technology activities);
- Energy Coal (exploration for and mining, processing and marketing of steaming coal); and
- Stainless Steel Materials (exploration for and mining, processing and marketing of chrome and nickel).

Net unallocated interest represents the charge to profit of debt funding to the BHP Billiton Group.

Group and unallocated items represent Group centre functions and certain comparative data for divested assets and investments.

It is the Group's policy that inter-segment sales are made on a commercial basis.

Industry segment information

US$ million	External revenue[a]	Inter-segment revenue[a]	Share of net profit of equity accounted investments	Profit before tax[b][c]	Gross segment assets	Gross segment liabilities	Depreciation and amortisation	Other non-cash items	Capital expenditure[d]	Carrying value of equity accounted investments
Year ended 30 June 2005										
Petroleum	**6 175**	**62**	**–**	**2 014**	**6 563**	**2 241**	**616**	**6**	**946**	**112**
Aluminium	**5 324**	**5**	**–**	**939**	**6 244**	**790**	**264**	**–**	**280**	**–**
Base Metals	**4 609**	**–**	**194**	**1 834**	**9 127**	**1 759**	**266**	**31**	**661**	**390**
Carbon Steel Materials	**7 330**	**27**	**148**	**2 346**	**5 297**	**1 973**	**304**	**265**	**1 065**	**336**
Diamonds and Specialty Products	**765**	**20**	**80**	**278**	**1 738**	**265**	**176**	**3**	**239**	**138**
Energy Coal	**3 054**	**–**	**141**	**310**	**2 889**	**1 482**	**197**	**99**	**169**	**549**
Stainless Steel Materials	**2 712**	**–**	**1**	**814**	**5 194**	**630**	**148**	**4**	**444**	**–**
Group and unallocated items[e]	**1 022**	**–**	**–**	**329**	**5 058**	**14 606**	**23**	**163**	**27**	**–**
	30 991	**114**	**564**	**8 864**	**42 110**	**23 746**	**1 994**	**571**	**3 831**	**1 525**
Net unallocated interest	**116**			**(383)**				**182**		
BHP Billiton Group	**31 107**	**114**	**564**	**8 481**	**42 110**	**23 746**	**1 994**	**753**	**3 831**	**1 525**
Year ended 30 June 2004										
Petroleum	5 681	50	–	1 450	6 099	2 121	587	(55)	927	98
Aluminium	4 440	–	–	742	6 060	643	246	–	272	–
Base Metals	3 001	–	45	570	4 024	1 421	255	482	215	212
Carbon Steel Materials	4 640	7	78	1 030	4 145	1 249	230	2	662	286
Diamonds and Specialty Products	698	22	19	302	1 222	234	125	29	188	250
Energy Coal	2 351	–	85	101	2 499	1 015	207	67	141	519
Stainless Steel Materials	1 779	–	–	551	2 093	346	108	14	151	4
Group and unallocated items[e]	840	–	(4)	30	5 037	8 725	35	141	33	–
	23 430	79	223	4 776	31 179	15 754	1 793	680	2 589	1 369
Net unallocated interest	83			(407)				210		
BHP Billiton Group	23 513	79	223	4 369	31 179	15 754	1 793	890	2 589	1 369

(a) Total segment revenue equals external revenue plus inter-segment revenue.
(b) Before outside equity interests.
(c) Excludes income tax expense for BHP Billiton Group of US$2 240 million (2004: US$870 million), which results in a net profit after income tax expense of US$6 241 million (2004: US$3 499 million).
(d) Excluding investment expenditure, capitalised borrowing costs and capitalised exploration.
(e) Includes consolidation adjustments.

10 Segment results continued

Geographical segment information

US$ million	External revenue by location of customer[(a)]	Gross segment assets	Capital expenditure
Year ended 30 June 2005			
Australia	**3 115**	**20 580**	**1 877**
North America	**2 174**	**3 368**	**894**
Europe	**10 374**	**3 080**	**55**
South America	**1 155**	**5 682**	**745**
Southern Africa	**1 820**	**5 175**	**225**
Japan	**3 620**	**–**	**–**
South Korea	**1 876**	**–**	**–**
China	**3 628**	**–**	**–**
Other Asia	**2 100**	**–**	**–**
Rest of World	**1 245**	**943**	**35**
Non-operating assets	**–**	**3 282**	**–**
BHP Billiton Group	**31 107**	**42 110**	**3 831**
Year ended 30 June 2004			
Australia	2 026	10 820	1 228
North America	1 880	2 406	621
Europe	8 638	2 915	53
South America	727	4 935	238
Southern Africa	1 381	5 635	341
Japan	2 675	–	–
South Korea	1 538	–	–
China	2 239	–	–
Other Asia	1 512	–	–
Rest of World	897	948	108
Non-operating assets	–	3 520	–
BHP Billiton Group	23 513	31 179	2 589

11 Dividends

	2005 US$M	2004 US$M
BHP Billiton Limited (a)(b)		
Dividends paid	**842**	619
	842	619
BHP Billiton Plc (a)		
Dividends paid		
Ordinary shares	**567**	406
Preference shares (c)	**–**	–
	567	406
Total dividends paid	**1 409**	1 025

	2005 US cents	2004 US cents
Dividends per share (a)		
Prior year final dividend paid (d)	**9.5**	–
First interim dividend paid	**13.5**	8.0
Second interim dividend paid	**–**	8.5
	23.0	16.5
Current year final dividend declared (d)	**14.5**	9.5
	37.5	26.0

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

(a) BHP Billiton Limited dividends per American Depositary Share (ADS) for 2005 were 46.0 US cents per share (2004: 33.0 US cents per share). BHP Billiton Plc dividends per ADS for 2005 were 46.0 US cents per share (2004: 33.0 US cents per share). Each ADS represents two ordinary shares.
(b) BHP Billiton dividends for all periods presented are fully franked.
(c) 5.5 per cent dividend on 50 000 preference shares of £1 each (2004: 5.5 per cent).
(d) Subsequent to year end on 24 August 2005, BHP Billiton declared a final dividend of 14.5 US cents per share fully franked (2004: 9.5 US cents per share on 18 August 2004) which will be paid on 28 September 2005 (2004: 22 September 2004). The final dividend has not been provided for at 30 June 2005. The final dividend not provided at 30 June 2004 is presented as a 2005 dividend in notes 33 and 35.

For the purposes of AASB 1034 'Financial Reports Presentation and Disclosures', the Group had an adjusted franking account balance of US$328 million (on a tax paid basis) at 30 June 2005. It is anticipated that dividends payable in the following year will be fully franked.

12 Earnings per share

	2005	2004
Basic earnings per share (US cents)	**98.1**	54.7
Diluted earnings per share (US cents)	**97.6**	54.5
Basic earnings per ADS (US cents) (a)	**196.2**	109.4
Diluted earnings per ADS (US cents) (a)	**195.2**	109.0
Basic earnings (US$ million)	**6 009**	3 403
Diluted earnings (US$ million)	**6 012**	3 403

12 Earnings per share continued

The weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

Weighted average number of shares (b)	2005 Million	2004 Million
Basic earnings per share denominator	**6 124**	6 218
Shares and options contingently issuable under employee share ownership plans	**34**	28
Diluted earnings per share denominator	**6 158**	6 246

(a) Each American Depository Share (ADS) represents two ordinary shares.
(b) Under the terms of the DLC merger, the rights to dividends of a holder of an ordinary share in BHP Billiton Plc and a holder of an ordinary share in BHP Billiton Limited are identical. Consequently, earnings per share have been calculated on the basis of the aggregate number of ordinary shares ranking for dividend. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the share repurchase scheme and the Group's ESOP trusts.

13 Receivables (current)

	2005 US$M	2004 US$M
Trade receivables	**2 527**	2 018
deduct Provision for doubtful debts	**(4)**	(4)
Total trade receivables	**2 523**	2 014
Sundry receivables		
Employee Share Plan loans (a)	**2**	1
Other	**968**	764
deduct Provision for doubtful debts	**(3)**	(1)
Total sundry receivables	**967**	764
Total current receivables	**3 490**	2 778

(a) Under the terms of the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent. Interest free employee loans are available to fund the purchase of such shares for a period of up to 20 years repayable by application of dividends or an equivalent amount (refer note 31).

14 Other financial assets (current)

	2005 US$M	2004 US$M
Securities not quoted on prescribed stock exchanges		
Term deposits	**32**	6
Other investments	**180**	161
Total book value of not quoted securities (a)(b)	**212**	167
Total current other financial assets	**212**	167

(a) Not quoted securities include US$167 million (2004: US$153 million) held by the Ingwe, Selbaie and Rio Algom Environmental Trust Funds. The future realisation of these investments is intended to fund environmental obligations relating to the eventual closure of Ingwe's, Selbaie's and Rio Algom's mines. Consequently these investments, whilst under the BHP Billiton Group control, are not available for the general purposes of the BHP Billiton Group. All income from these investments is reinvested or spent to meet these obligations. The BHP Billiton Group retains responsibility for these environmental obligations until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under non-current provisions. Refer note 29.
(b) Not quoted securities include US$13 million (2004: US$14 million) relating to the BHP Billiton Group's self-insurance arrangements. These investments are held for the benefit of the BHP Billiton Group but are not available for the general purposes of the BHP Billiton Group.

15 Inventories (current)

	2005 US$M	2004 US$M
Raw materials and stores		
At net realisable value	**63**	67
At cost	**531**	382
	594	449
Work in progress		
At net realisable value	**5**	4
At cost	**768**	371
	773	375
Finished goods		
At net realisable value	**16**	6
At cost	**1 159**	885
	1 175	891
Total current inventories		
At net realisable value	**84**	77
At cost	**2 458**	1 638
Total current inventories	**2 542**	1 715

16 Other assets (current)

	2005 US$M	2004 US$M
Other deferred charges and prepayments	**160**	176
Total current other assets	**160**	176

17 Receivables (non-current)

	2005 US$M	2004 US$M
Employee Share Plan loans (a)	**58**	62
Other sundry receivables (b)	**561**	686
Total non-current receivables	**619**	748

(a) Under the terms of a legacy share plan, the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent. Interest free employee loans are available to fund the purchase of such shares for a period of up to 20 years repayable by application of dividends or an equivalent amount (refer note 31).

(b) Other sundry receivables include loans to joint venture entities of US$84 million (2004: US$225 million) that are in the form of cash on deposit, with the bank having an equivalent amount on loan to the joint venture.

18 Investments accounted for using the equity method

Major shareholdings in joint ventures	Principal activities	Reporting date	Ownership interest (a) At joint venture's reporting date 2005 %	2004 %	At BHP Billiton Group reporting date 2005 %	2004 %	Carrying value of investment 2005 US$M	2004 US$M
Caesar Oil Pipeline Company LLC	Hydrocarbons transportation	31 May	**25**	25	**25**	25	**68**	59
Cerrejon Coal Corporation	Coal mining in Colombia	31 Dec	**33.3**	33.3	**33.3**	33.3	**533**	503
Coal Marketing Company	Coal Marketing	31 Dec	**33**	33	**33**	33	**16**	17
Cleopatra Gas Gathering	Hydrocarbons transportation	31 May	**22**	22	**22**	22	**44**	39
Hi-Fert Pty Ltd	Distribution and marketing of fertilisers	31 Dec	**–**	–	**33.3**	–	**25**	–
Integris Metals Inc	Metals distribution	31 Dec	**50**	50	**–**	50	**–**	170
Minera Antamina SA	Copper and zinc mining	30 June	**33.75**	33.75	**33.75**	33.75	**390**	213
Richards Bay Minerals (b)	Mineral sands mining and processing	31 Dec	**50**	50	**50**	50	**108**	79
Samarco Mineracao SA	Iron ore mining	31 Dec	**50**	50	**50**	50	**304**	261
Other (c)							**37**	28
Total							**1 525**	1 369

	2005 US$M	2004 US$M
Share of net profit of investments accounted for using the equity method		
Revenue (d)	**2 226**	2 056
Expenses (d)	**(1 465)**	(1 726)
Profit before income tax (d)	**761**	330
Income tax expense (d)	**(197)**	(107)
Share of net profit of investments accounted for using the equity method	**564**	223
Share of post-acquisition retained profits of investments accounted for using the equity method		
Share of retained profits of investments accounted for using the equity method at the beginning of the financial year	**297**	233
Share of net profit of investments accounted for using the equity method	**564**	223
Dividends received/receivable from investments accounted for using the equity method	**(255)**	(203)
Disposal of investments accounted for using the equity method	**(28)**	44
Share of retained profits of investments accounted for using the equity method at the end of the financial year	**578**	297
Movements in carrying amount of investments accounted for using the equity method		
Carrying amount of investments accounted for using the equity method at the beginning of the financial year	**1 369**	1 403
Share of net profit of investments accounted for using the equity method	**564**	223
Increased investments accounted for using the equity method	**49**	25
Dividends received/receivable from investments accounted for using the equity method	**(255)**	(203)
Disposal of investments accounted for using the equity method	**(187)**	(79)
Transfers and other movements	**(15)**	–
Carrying amount of investments accounted for using the equity method at the end of the financial year	**1 525**	1 369
Share of contingent liabilities and expenditure commitments of investments accounted for using the equity method		
Contingent liabilities – unsecured (included in note 39)	**104**	93
Contracts for capital expenditure not completed	**40**	55
Other commitments	**125**	164

	In aggregate 2005 US$M	2004 US$M	BHP Billiton Group Share 2005 US$M	2004 US$M
Net assets of investments accounted for using the equity method:				
Current assets	**2 169**	1 954	**864**	855
Non-current assets	**5 363**	5 598	**1 946**	2 096
Current liabilities	**(1 176)**	(1 238)	**(491)**	(576)
Non-current liabilities	**(2 095)**	(2 622)	**(794)**	(1 006)
Net assets of investments accounted for using the equity method	**4 261**	3 692	**1 525**	1 369

(a) The proportion of voting power held corresponds to ownership interest.
(b) Richards Bay Minerals comprises two legal entities, Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited of which the BHP Billiton Group's effective ownership interest is 51 per cent (2004: 51 per cent) and 49.45 per cent (2004: 49.45 per cent) respectively. In accordance with the shareholder agreement between the BHP Billiton Group and Rio Tinto (which owns the shares of Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited not owned by the BHP Billiton Group), Richards Bay Minerals functions as a single economic entity. The overall profit of Richards Bay Minerals is shared equally between the venturers.
(c) Includes various immaterial joint venture and associated entities.
(d) Effective January 2005, the BHP Billiton Group sold its interest in Integris Metals Inc for US$202 million. In 2005, the share of net profit of investments accounted for using the equity method included the results of the Group's 50 per cent interest in Integris Metals Inc up until the date of sale. This includes revenue of US$523 million, expenses of US$499 million, profit before income tax of US$24 million and income tax expense of US$7 million.

19 Other financial assets (non-current)

	2005 US$M	2004 US$M
Securities quoted on prescribed stock exchanges		
Shares in other corporations held at cost (a)(b)	**40**	68
Securities not quoted on prescribed stock exchanges		
Shares in other corporations held at cost	**57**	55
Total non-current other financial assets	**97**	123

(a) Market value of quoted securities and shares in other corporations is US$63 million (2004: US$115 million).
(b) The BHP Billiton Group has subscribed for shares in a number of listed companies in connection with option arrangements on exploration projects. The consideration has been allocated to the option and has generally been expensed in accordance with the BHP Billiton Group's accounting policy on exploration. These investments therefore have a book value of US$nil at 30 June 2005 (2004: US$nil) in the table above and a market value of US$22 million (2004: US$19 million).

20 Inventories (non-current)

	2005 US$M	2004 US$M
Raw materials and stores	**33**	11
Work in progress	**70**	34
Total non-current inventories (at cost)	**103**	45

21 Property, plant and equipment

	Gross value of assets 2005 US$M	Accumulated depreciation 2005 US$M	Net value of assets 2005 US$M	Gross value of assets 2004 US$M	Accumulated depreciation 2004 US$M	Net value of assets 2004 US$M
Land and buildings [a][b]	**2 888**	**1 137**	**1 751**	2 625	1 026	1 599
Plant, machinery and equipment [c]	**28 866**	**13 755**	**15 111**	24 757	12 833	11 924
Capital works in progress [d]	**2 820**	**–**	**2 820**	2 331	–	2 331
Mineral rights and other mineral assets [e]	**10 270**	**1 971**	**8 299**	4 998	1 704	3 294
Exploration, evaluation and development [f]						
Now in production	**2 182**	**1 300**	**882**	2 007	1 214	793
In development stage but not yet producing	**954**	**–**	**954**	550	–	550
In exploration and/or evaluation stage	**584**	**105**	**479**	504	126	378
Capitalised leased assets [g]	**72**	**21**	**51**	132	56	76
Total property, plant and equipment	**48 636**	**18 289**	**30 347**	37 904	16 959	20 945

	2005 US$M	2004 US$M
(a) Current value of land and buildings (excluding extractive industry land and buildings)		
Land	**80**	75
Buildings	**538**	486
	618	561

	2005 US$M
(b) Land and buildings	
Balance at the beginning of the financial year	**1 599**
Additions (including capitalised interest)	**63**
Acquisitions of operations and subsidiaries	**220**
Depreciation	**(135)**
Net disposals including disposal of controlled entities	**(57)**
Amounts written off	**(1)**
Transfers and other movements	**62**
Balance at the end of the financial year [i]	**1 751**
(c) Plant, machinery and equipment	
Balance at the beginning of the financial year	**11 924**
Additions (including capitalised interest)	**723**
Acquisitions of operations and subsidiaries	**1 925**
Depreciation	**(1 417)**
Net disposals including disposal of controlled entities	**(302)**
Amounts written off	**(4)**
Exchange variations	**(1)**
Transfers and other movements	**2 263**
Balance at the end of the financial year [i]	**15 111**

21 Property, plant and equipment continued

		2005 US$M
(d)	Capital works in progress	
	Balance at the beginning of the financial year	**2 331**
	Additions (including capitalised interest)	**2 733**
	Acquisitions of operations and subsidiaries	**153**
	Net disposals including disposal of controlled entities	**(41)**
	Exchange variations	**17**
	Transfers and other movements	**(2 373)**
	Balance at the end of the financial year	**2 820**
(e)	Mineral rights and other mineral assets	
	Balance at the beginning of the financial year	**3 294**
	Additions (including capitalised interest)	**345**
	Acquisitions of operations and subsidiaries	**4 827**
	Depreciation	**(266)**
	Net disposals including disposal of controlled entities	**(12)**
	Amounts written off	**(4)**
	Transfers and other movements	**115**
	Balance at the end of the financial year (i)(ii)	**8 299**
(f)	Exploration, evaluation and development expenditures carried forward	
	Balance at the beginning of the financial year	**1 721**
	Additions (including capitalised exploration and capitalised interest)	**786**
	Acquisitions of operations and subsidiaries	**12**
	Depreciation	**(128)**
	Net disposals including disposal of controlled entities	**(10)**
	Amounts written off	**(7)**
	Exchange variations	**4**
	Transfers and other movements	**(63)**
	Balance at the end of the financial year (i)	**2 315**
(g)	Capitalised leased assets	
	Balance at the beginning of the financial year	**76**
	Depreciation	**(4)**
	Transfers and other movements	**(21)**
	Balance at the end of the financial year	**51**

(i) The carrying value of assets includes assets written down to recoverable amount in the current and prior periods as follows:
Land and buildings: US$16 million (2004: US$25 million).
Plant, machinery and equipment: US$149 million (2004: US$178 million).
Mineral rights and other mineral assets: US$51 million (2004: US$62 million).
Exploration, evaluation and development expenditures carried forward: US$7 million (2004: US$7 million).

(ii) Includes US$965 million (2004: US$687 million) of deferred overburden removal costs.

22 Intangible assets

	2005 US$M	2004 US$M
Goodwill at cost	**918**	821
deduct Amounts amortised	**405**	399
Total intangible assets	**513**	422

23 Other assets (non-current)

	2005 US$M	2004 US$M
Pension asset (refer note 41)	**310**	282
Other deferred charges and prepayments	**114**	89
Total non-current other assets	**424**	371

24 Payables (current)

	2005 US$M	2004 US$M
Trade creditors	**2 155**	1 688
Sundry creditors	**1 936**	902
Total current payables	**4 091**	2 590

25 Interest bearing liabilities (current)

	2005 US$M	2004 US$M
Current portion of unsecured long-term loans		
Bank loans	**173**	252
Notes and debentures	**597**	306
Total current portion of unsecured long-term loans	**770**	558
Current portion of		
Non-recourse finance	**148**	361
Secured debt (limited recourse)	**51**	51
Finance leases	**3**	9
Redeemable preference shares (a)	**450**	–
Short-term interest bearing liabilities		
Unsecured other	**63**	218
Bank overdrafts		
Unsecured	**15**	133
Total other current interest bearing liabilities	**730**	772
Total current interest bearing liabilities (b)	**1 500**	1 330

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

Auction market preferred stock:

600 (2004: 600) shares issued at US$250 000 each, fully paid preferred stock; cumulative, non-participating, dividend reset on a regular basis reflecting prevailing US market rates; not entitled to any earnings growth or capital appreciation of the issuer. Redeemable at the option of the issuer on any dividend payment date or, if redeemed in full, on any business day. Guaranteed by other BHP Billiton Group companies.

Cumulative preferred stock series 'A':

3 000 (2004: 3 000) shares issued at US$100 000 each, fixed at 6.76 per cent per annum, fully paid and not entitled to any earnings growth or capital appreciation of the issuer. Subject to mandatory redemption on 27 February 2006. Dividends are cumulative and are calculated on the basis of a year of twelve 30-day months. Guaranteed by other BHP Billiton Group companies.

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

26 Other provisions and liabilities (current)

	2005 US$M	2004 US$M
Employee benefits	**480**	340
Post-retirement benefits	**7**	9
Restoration and rehabilitation	**176**	136
Restructuring	**296**	11
Other	**147**	158
Total current other provisions (a)	**1 106**	654
Deferred income	**120**	156
Total current other provisions and liabilities	**1 226**	810

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

27 Payables (non-current)

	2005 US$M	2004 US$M
Trade creditors	**4**	1
Sundry creditors	**158**	176
Total non-current payables	**162**	177

28 Interest bearing liabilities (non-current)

	2005 US$M	2004 US$M
Unsecured bank loans	**3 000**	55
Total non-current portion of bank loans and overdrafts	**3 000**	55
Notes and debentures	**3 793**	3 653
Commercial paper	**1 602**	–
Redeemable preference shares	**–**	450
Non-recourse finance	**559**	545
Secured debt (limited recourse) (a)	**384**	435
Finance leases	**53**	67
Other	**235**	248
Total non-current portion of debentures and other borrowings	**6 626**	5 398
Total non-current interest bearing liabilities (b)	**9 626**	5 453

(a) The limited recourse secured debt relates to the Mozal joint venture. The debt is secured by a charge over the assets of this joint arrangement and the lender has recourse to only those assets in the event of default.
(b) Refer to note 38 for currency, interest rate and maturity profiles of interest bearing liabilities.

29 Other provisions and liabilities (non-current)

	2005 US$M	2004 US$M
Employee benefits (a)	**360**	282
Post-retirement benefits (b)	**325**	326
Resource rent tax	**299**	275
Restoration and rehabilitation	**3 408**	2 647
Other (c)	**227**	166
Total non-current other provisions	**4 619**	3 696
Deferred income	**362**	348
Total non-current other provisions and liabilities	**4 981**	4 044

	Employee benefits(a) US$M	Post-retirement benefits(b) US$M	Resource rent tax US$M	Restoration and rehabilitation(e) US$M	Restructuring(c) US$M	Other US$M	Total US$M
Movements in total provision balances							
At 30 June 2004	622	335	275	2 783	11	324	**4 350**
Amounts capitalised	–	–	–	537	–	–	**537**
Acquisition of operations and subsidiaries	60	15	–	141	4	30	**250**
Disposals of operations and subsidiaries	(7)	(19)	(10)	(61)	–	–	**(97)**
Charge/(credit) for the year							
Underlying	360	55	11	163	283	179	**1 051**
Discounting	–	–	–	168	–	–	**168**
Exchange variation	48	(7)	23	–	–	11	**75**
Released during the year	–	–	–	–	–	(5)	**(5)**
Exchange variation taken to reserves	1	–	–	6	–	1	**8**
Utilisation	(244)	(46)	–	(159)	(5)	(150)	**(604)**
Transfers and other movements	–	(1)	–	6	3	(16)	**(8)**
At 30 June 2005	**840**	**332**	**299**	**3 584**	**296**	**374**	**5 725**
Current (note 26)	480	7	–	176	296	147	**1 106**
Non-current	360	325	299	3 408	–	227	**4 619**

(a) In the year ended 30 June 2005, the average number of employees, excluding joint venture and associated entities' employees and including executive Directors was 36 468 (2004: 35 070). The provision for employee entitlements includes applicable amounts for annual leave and associated on-costs, including workers' compensation liabilities as detailed below:

	2005 US$M	2004 US$M
Self-insurance workers' compensation provision		
New South Wales	**17**	12
South Australia	**2**	–
Victoria	**3**	–
Western Australia	**5**	4
Tasmania	**2**	–
Queensland	**17**	14
Total workers' compensation liabilities	**46**	30

(b) The provision for post-retirement benefits includes current pension liabilities of US$2 million (2004: US$1 million) and non-current pension liabilities of US$78 million (2004: US$61 million) and current post-retirement medical benefit liabilities of US$5 million (2004: US$8 million) and non-current post-retirement medical benefit liabilities of US$247 million (2004: US$265 million). Refer note 41.

(c) Provisions include non-current non-executive Directors' retirement benefits of US$3 million (2004: US$2 million).

(d) The BHP Billiton Group's activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, the BHP Billiton Group has a policy of ensuring that reclamation is planned and financed from the early stages of any operation. Provision is made for the reclamation of the BHP Billiton Group's mining and processing facilities along with the decommissioning of oil platforms and infrastructure associated with petroleum activities. The estimation of the cost of future reclamation and decommissioning activities is subject to potentially significant uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination, and the timing and extent of reclamation and decommissioning activities required. Accordingly, whilst the provisions at 30 June 2005 represent the best estimate of the future costs required, these uncertainties are likely to result in future actual expenditure differing from the amounts provided at this time.

These reclamation and decommissioning expenditures are mostly expected to be paid over the next 30 years. The provisions for reclamation and decommissioning are derived by discounting the expected expenditures to their net present value. The estimated total site rehabilitation cost (undiscounted and in today's dollars) to be incurred in the future arising from operations to date, and including amounts already provided for, is US$6 284 million (2004: US$5 402 million).

At 30 June 2005, US$2 475 million (2004: US$1 702 million) was provided for reclamation and decommissioning costs relating to operating sites in the provision for site rehabilitation. In addition, the BHP Billiton Group has certain obligations associated with maintaining and/or remediating closed sites. At 30 June 2005, US$1 109 million (2004: $1 081 million) was provided for closed sites. The amounts provided in relation to closed sites are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly. Adjustments to the provisions in relation to these closed sites are recognised in profit and loss during the period in which the adjustments are made with US$121 million included as a significant item in the current year (2004: US$534 million; 2003: US$ nil). In addition to the uncertainties associated with the closure activity noted above, uncertainty remains over the extent and costs of the required short-term closure activities, the extent, cost and timing of post-closure monitoring and, in some cases, longer-term water management. Also, certain of the closure activities are subject to legal dispute and depending on the ultimate resolution of these matters the final liability could vary. The BHP Billiton Group believes that it is reasonably possible that, due to the nature of the closed site liabilities and the degree of uncertainty which surrounds them, these liabilities could be in the order of 30 per cent (2004: 35 per cent) greater or in the order of 20 per cent lower than the US$1 109 million provided at year end. The main closed site to which this total amount relates is Southwest Copper in the US and this is described in further detail below, together with a brief description of other closed sites.

Southwest Copper, Arizona, US

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

A comprehensive review of closure plans conducted in the prior year indicated (a) higher short-term closure costs, due to changes in the nature of closure work required in relation to certain facilities, particularly tailings dams and waste and leach dumps; (b) a need for costs, such as water management and environmental monitoring, to continue for a longer period; and, (c) an increase in the residual value of certain assets. The closure provisions for Southwest Copper, including amounts in relation to Pinal Creek litigation, total US$731 million at 30 June 2005 (2004: US$771 million).

In relation to Pinal Creek, BHP Copper Inc ('BHP Copper') is involved in litigation concerning groundwater contamination resulting from historic mining operations near the Pinal Creek/Miami Wash area located in the State of Arizona.

In 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. In September 2000, the Court approved settlement reached between the parties for a non-material amount, and the terms of the settlement are now being implemented as a monitoring programme.

A State consent decree ('the Decree') was approved by the Federal District Court for the District of Arizona in August 1998. The Decree authorises and requires groundwater remediation and facility-specific source control activities, and the members of the Pinal Creek Group (which consists of BHP Copper, Phelps Dodge Miami Inc and Inspiration Consolidated Copper Co) are jointly liable for performing the non-facility specific source control activities. Such activities are currently ongoing. As of 30 June 2005 the BHP Billiton Group has provided US$110 million (30 June 2004: US$102 million) for its anticipated share of the planned remediation work, based on a range reasonably foreseeable up to US$138 million (30 June 2004: US$138 million), and the BHP Billiton Group has paid out US$50 million up to 30 June 2005. These amounts are based on the provisional equal allocation of costs among the three members of the Pinal Creek Group. BHP Copper is seeking a judicial restatement of the allocation formula to reduce its share, based upon its belief, supported by relevant external legal and technical advice, that its property has contributed a smaller share of the contamination than the other parties' properties. BHP Copper is contingently liable for the whole of these costs in the event that the other parties are unable to pay.

BHP Copper and the other members of the Pinal Creek Group filed a contribution action in November 1991 in the Federal District Court for the District of Arizona against former owners and operators of the properties alleged to have caused the contamination. The claim is for an undetermined amount but under current state and federal laws applicable to the case, BHP Copper should recover a significant percentage of the total remediation costs from the Defendants, based upon their operations' proportionate contributions to the total contamination in the Pinal Creek drainage basin. Such action seeks recovery from these historical owners and operators for remediation and source control costs. BHP Copper's predecessors in interest have asserted a counterclaim in this action seeking indemnity from BHP Copper based upon their interpretation of the historical transaction documents relating to the succession in interest of the parties. BHP Copper has also filed suit against a number of insurance carriers seeking to recover under various insurance policies for remediation, response, source control and other costs noted above incurred by BHP Copper. The reasonable assessment of recovery in the various insurances cases has a range from US$4 million to approximately US$15 million, depending on many factors. Neither insurance recoveries nor other claims or offsets have been recognised in the financial statements and will not be recognised until such offsets are considered virtually certain of realisation.

Other closed sites

The closure provisions for other closed sites total US$378 million at 30 June 2005 (2004: US$310 million). The key sites covered by this amount are described briefly below.

- *Newcastle Steelworks* – the BHP Billiton Group closed its Newcastle Steelworks in 1999 and retains responsibility for certain sediment in the Hunter River adjacent the former steelworks site, together with certain other site remediation activities in the Newcastle area.
- *Island Copper* – the BHP Billiton Group ceased operations at its Island Copper mine in December 1995 and has responsibility for various site reclamation activities, including the long-term treatment of the pit lake and water management.
- *Selbaie copper mine* – the BHP Billiton Group closed its Selbaie copper mine in January 2004 and has responsibility for site reclamation and remediation activities.
- *Rio Algom* – the BHP Billiton Group has responsibility for long-term remediation costs for various closed mines and processing facilities in Canada and the US operated by Rio Algom Ltd prior to its acquisition by the former Billiton Plc in October 2000.
- *Ingwe Collieries* – the BHP Billiton Group has responsibility for site reclamation and remediation activities, including the long-term management of water leaving mining properties, for closed mines within the Ingwe operations.
- *Roane* – the BHP Billiton Group ceased operations at Roane chrome in 1982. A review of the closure plans during the year identified a need for additional remediation costs.

Closure provisions for other closed sites have been increased in the current period mainly due to refinements of closure plans at the Selbaie copper mine, Ingwe Collieries, Roane chrome and several other smaller sites. These increases resulted from a number of causes, including (a) a reassessment during the period of water management issues, and (b) a comprehensive risk valuation completed during the period in relation to sites which closed during the last two years where closure activities have now commenced.

30 Contributed equity and called up share capital

	2005 US$M	2004 US$M
BHP Billiton Limited		
Paid up contributed equity (a)		
3 587 977 615 fully paid ordinary shares (2004: 3 759 487 555)	**1 611**	1 851
195 000 ordinary shares paid to A$1.36 (2004: 405 000) (b)	**–**	–
1 Special Voting Share (2004: 1) (c)	**–**	–
	1 611	1 851

	Number of shares 2005	2004
Movements in fully paid ordinary shares		
Opening number of shares	**3 759 487 555**	3 747 687 775
Shares issued on exercise of Employee Share Plan awards (d)	**8 859 470**	10 764 732
Partly paid shares converted to fully paid (b)	**347 018**	1 035 048
Shares bought back and cancelled (a)	**(180 716 428)**	–
Closing number of shares (e)	**3 587 977 615**	3 759 487 555

	2005 US$M	2004 US$M
BHP Billiton Plc		
Allotted, called up and fully paid share capital (i)		
2 468 147 002 ordinary shares of US$0.50 each (2004: 2 468 147 002) (f)(g)	**1 752**	1 752
50 000 (2004: 50 000) 5.5% preference shares of £1 each (h)	**–**	–
1 Special Voting Share (2004: 1) (c)	**–**	–
	1 752	1 752

	Number of shares 2005	2004
Movements in allotted, called up and fully paid shares		
Opening number of shares	**2 468 147 002**	2 468 147 002
Closing number of shares	**2 468 147 002**	2 468 147 002

(a) On 23 November 2004, the BHP Billiton Group completed an off-market share buy-back of 180 716 428 BHP Billiton Limited shares. In accordance with the structure of the buy-back, US$296 million was allocated to the contributed equity of BHP Billiton Limited. The final price for the buy-back was A$12.57 per share, representing a discount of 12 per cent to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including the closing date of the buy-back.

(b) 210 000 (2004: 690 000) shares paid to A$1.36 and nil (2004: 240 000) shares paid to A$1.40 were converted to fully paid during 2005. There were no partly paid shares issued during the year (2004: nil). Including bonus shares, 347 018 (2004: 1 035 048) shares were issued on conversion of these partly paid shares. 70 000 (2004: 190 000) partly paid shares are entitled to 79 928 (2004: 216 936) bonus shares on becoming fully paid. As a consequence of the BHP Steel demerger, an instalment call of A$0.69 per share was made on partly paid shares which was then immediately replaced by the application of the capital reduction.

(c) Each of BHP Billiton Limited and BHP Billiton Plc issued one Special Voting Share to facilitate joint voting by shareholders of BHP Billiton Limited and BHP Billiton Plc on Joint Electoral Actions.

(d) The number of shares issued on exercise of options after 7 July 2001 includes bonus shares. Refer note 31.

(e) During the period 1 July 2005 to 8 September 2005, no Executive Share Scheme partly paid shares were paid up in full, 1 373 575 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan Options, no fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Performance Share Plan Performance Rights and no fully paid ordinary shares were issued on the exercise of Group Incentive Scheme awards.

(f) Under UK Companies Act 1985, BHP Billiton Plc has share capital with a par value of US$0.50. Total capital subscribed by shareholders less capital returned to shareholders is included as contributed equity and includes US$518 million (2004: US$518 million) of premium on the issue of shares.

(g) During the year ended 30 June 2004, 3 890 000 ordinary shares (US$20 million) of BHP Billiton Plc, which were held as part of the BHP Billiton Plc share repurchase scheme, were transferred to a Group ESOP trust. Refer note 32.

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

(i) An Equalisation Share has been authorised to be issued to enable a distribution to be made by BHP Billiton Plc to the BHP Billiton Limited Group should this be required under the terms of the DLC merger. The Directors have the ability to issue the Equalisation Share if required under those terms. The Constitution of BHP Billiton Limited allows the Directors of that Company to issue a similar Equalisation Share.

31 Employee share ownership plans

Summary of BHP Billiton Group employee share ownership plans

The following table is a summary of the awards made under the employee share ownership plans of BHP Billiton Limited and BHP Billiton Plc. The subsequent tables and associated footnotes provide more information in relation to that contained in the summary table.

The details of the plans, including comparatives, are presented including, where applicable, a bonus element to which the participant became entitled as a result of the DLC merger on 29 June 2001 and the BHP Steel Limited demerger on 1 July 2002.

	Number of awards outstanding at 30 June 2005	Number of awards issued during year ended 30 June 2005
BHP Billiton Limited employee share awards		
Long Term Incentive Plan (LTIP) (Performance Shares)	**4 764 108**	**4 854 485**
Group Incentive Scheme (Deferred Shares)	**5 107 264**	**2 536 991**
Group Incentive Scheme (Options)	**2 067 040**	**780 181**
Group Incentive Scheme (Performance Shares)	**9 860 582**	**637 676**
Employee Share Plan (Shares)	**16 611 045**	**–**
Employee Share Plan (Options)	**14 571 693**	**–**
Executive Share Scheme (partly paid shares)	**274 918**	**–**
Performance Share Plan (LTI)	**1 439 869**	**–**
Performance Share Plan (MTI)	**189 800**	**–**
Bonus Equity Share Plan (Shares)	**47 662**	**–**
BHP Billiton Plc employee share awards		
Long Term Incentive Plan (Performance Shares)	**2 317 300**	**2 354 800**
Group Incentive Scheme (Deferred Shares)	**2 493 101**	**1 308 709**
Group Incentive Scheme (Options)	**1 184 506**	**378 384**
Group Incentive Scheme (Performance Shares)	**4 819 393**	**358 128**
Restricted Share Scheme	**132 978**	**–**
Co-Investment Plan	**522 306**	**–**

BHP Billiton Group employee share ownership plans

The following tables relate to shares and options issued under each of these schemes:

	Restricted Share Scheme awards (a)		Co-Investment Plan awards (a)	
	2005	2004	**2005**	2004
Number of awards issued since the DLC merger (b)	**5 657 555**	5 657 555	**1 023 425**	1 023 425
During the financial year				
Number of awards remaining at the beginning of the financial year	**4 076 894**	4 608 382	**539 984**	837 450
Number of awards issued	**–**	–	**–**	–
Number of awards exercised	**(3 492 699)**	(167 230)	**(14 707)**	(102 656)
Number of awards lapsed	**(451 217)**	(364 258)	**(2 971)**	(194 810)
Number of awards remaining at the end of the financial year	**132 978**	4 076 894	**522 306**	539 984
Exercisable	**132 978**	–	**–**	–
Not exercisable	**–**	4 076 894	**522 306**	539 984
Number of employees participating in awards issued	**–**	–	**–**	–
Market value of awards issued (US$ million) (c)	**–**	–	**–**	–
Proceeds from awards issued (US$ million)	**–**	–	**–**	–
Number of employees exercising awards	**161**	10	**6**	27
Market value of shares on exercise of awards (US$ million)	**40**	1	**–**	–

31 Employee share ownership plans continued

	Long Term Incentive Plan Performance Shares (BHP Billiton Limited) (a) 2005	2004	Long Term Incentive Plan Performance Shares (BHP Billiton Plc) (a) 2005	2004
Number of awards issued since commencement of the Plan	**4 854 485**	–	**2 354 800**	–
During the financial year				
Number of awards remaining at the beginning of the financial year	**–**	–	**–**	–
Number of awards issued	**4 854 485**	–	**2 354 800**	–
Number of awards exercised	**–**	–	**–**	–
Number of awards lapsed	**(90 377)**	–	**(37 500)**	–
Number of awards remaining at the end of the financial year	**4 764 108**	–	**2 317 300**	–
Exercisable	**–**	–	**–**	–
Not exercisable	**4 764 108**	–	**2 317 300**	–
Number of employees participating in awards issued	**293**	–	**159**	–
Market value of awards issued (US$ million) (c)	**–**	–	**–**	–
Proceeds from awards issued (US$ million)	**–**	–	**–**	–
Number of employees exercising awards	**–**	–	**–**	–
Market value of shares on exercise of awards (US$ million)	**–**	–	**–**	–

	Group Incentive Scheme Deferred Shares (BHP Billiton Limited) (a) 2005	2004	Group Incentive Scheme Deferred Shares (BHP Billiton Plc) (a) 2005	2004
Number of awards issued since commencement of the Plan	**5 538 713**	3 001 722	**2 706 527**	1 397 818
During the financial year				
Number of awards remaining at the beginning of the financial year	**2 884 289**	–	**1 310 131**	–
Number of awards issued	**2 536 991**	3 001 722	**1 308 709**	1 397 818
Number of awards exercised	**(256 111)**	(30 884)	**(79 665)**	(11 610)
Number of awards lapsed	**(57 905)**	(86 549)	**(46 074)**	(76 077)
Number of awards remaining at the end of the financial year	**5 107 264**	2 884 289	**2 493 101**	1 310 131
Exercisable	**–**	–	**–**	–
Not exercisable	**5 107 264**	2 884 289	**2 493 101**	1 310 131
Number of employees participating in awards issued	**384**	391	**180**	200
Market value of awards issued (US$ million) (c)	**–**	–	**–**	–
Proceeds from awards issued (US$ million)	**–**	–	**–**	–
Number of employees exercising awards	**20**	6	**14**	2
Market value of shares on exercise of awards (US$ million)	**3**	–	**1**	–

31 Employee share ownership plans continued

	Group Incentive Scheme Options (BHP Billiton Limited) (a) 2005	2004	Group Incentive Scheme Options (BHP Billiton Plc) (a) 2005	2004
Number of awards issued since commencement of the Plan	**2 118 995**	1 338 814	**1 296 438**	918 054
During the financial year				
Number of awards remaining at the beginning of the financial year	**1 309 448**	–	**855 044**	–
Number of awards issued	**780 181**	1 338 814	**378 384**	918 054
Number of awards exercised	**–**	–	**(14 353)**	(21 241)
Number of awards lapsed	**(22 589)**	(29 366)	**(34 569)**	(41 769)
Number of awards remaining at the end of the financial year	**2 067 040**	1 309 448	**1 184 506**	855 044
Exercisable	**–**	–	**–**	–
Not exercisable	**2 067 040**	1 309 448	**1 184 506**	855 044
Number of employees participating in awards issued	**70**	104	**75**	81
Market value of awards issued (US$ million) (c)	**–**	–	**–**	–
Proceeds from awards issued (US$ million)	**–**	–	**–**	–
Number of employees exercising awards	**–**	–	**2**	–
Market value of shares on exercise of awards (US$ million)	**–**	–	**–**	–

	Group Incentive Scheme Performance Shares (BHP Billiton Limited) (a) 2005	2004	Group Incentive Scheme Performance Shares (BHP Billiton Plc) (a) 2005	2004
Number of awards issued since commencement of the Plan	**11 501 457**	10 863 781	**5 974 344**	5 616 216
During the financial year				
Number of awards remaining at the beginning of the financial year	**10 136 908**	7 313 516	**4 833 951**	3 634 251
Number of awards issued	**637 676**	3 353 538	**358 128**	1 649 448
Number of awards exercised	**(668 853)**	(157 429)	**(281 123)**	(84 041)
Number of awards lapsed	**(245 149)**	(372 717)	**(91 563)**	(365 707)
Number of awards remaining at the end of the financial year	**9 860 582**	10 136 908	**4 819 393**	4 833 951
Exercisable	**–**	–	**–**	–
Not exercisable	**9 860 582**	10 136 908	**4 819 393**	4 833 951
Number of employees participating in awards issued	**105**	409	**195**	218
Market value of awards issued (US$ million) (c)	**–**	–	**–**	–
Proceeds from awards issued (US$ million)	**–**	–	**–**	–
Number of employees exercising awards	**19**	12	**15**	6
Market value of shares on exercise of awards (US$ million)	**7**	1	**2**	1

31 Employee share ownership plans continued

	Employee Share Plan Options (a) 2005	2004	Weighted Average Exercise Price (A$) 2005	2004
Number of awards issued since commencement of the Plan	**178 032 575**	178 032 575		
During the financial year				
Number of awards remaining at the beginning of the financial year	**24 309 476**	37 571 802	**7.94**	7.81
Number of awards issued	**–**	–	**–**	–
Number of awards exercised	**(8 550 570)**	(10 764 732)	**8.08**	7.48
Number of awards lapsed	**(1 187 213)**	(2 497 594)	**8.28**	8.04
Number of awards remaining at the end of the financial year	**14 571 693**	24 309 476	**7.83**	7.94
Exercisable	**14 571 693**	13 679 357	**7.83**	7.66
Not exercisable	**–**	10 630 119	**–**	8.30
Number of employees participating in awards issued	**–**	–		
Market value of awards issued (US$ million) (c)	**–**	–		
Proceeds from awards issued (US$ million)	**–**	–		
Number of employees exercising awards	**1 225**	1 683		
Market value of shares on exercise of awards (US$ million)	**100**	88		
Proceeds from exercise of options (US$ million)	**53**	57		

	Employee Share Plan Shares (a) 2005	2004	Executive Share Scheme Partly Paid Shares (a) 2005	2004
Number of awards issued since commencement of the Plan	**373 745 102**	373 745 102	**50 529 280**	50 529 280
During the financial year				
Number of awards remaining at the beginning of the financial year	**18 660 656**	20 508 095	**621 936**	1 656 984
Number of awards issued	**–**	–	**–**	–
Number of awards exercised	**(2 049 611)**	(1 847 439)	**(347 018)**	(1 035 048)
Number of awards lapsed	**–**	–	**–**	–
Number of awards remaining at the end of the financial year	**16 611 045**	18 660 656	**274 918**	621 936
Exercisable	**16 611 045**	18 660 656	**274 918**	621 936
Not exercisable	**–**	–	**–**	–
Number of employees participating in awards issued			**–**	–
Market value of awards issued (US$ million) (c)			**–**	–
Proceeds from awards issued (US$ million)			**–**	–
Number of employees exercising awards			**2**	4
Market value of shares on exercise of awards (US$ million)			**4**	9
Employee Share Plan loans outstanding (US$ million)	**60**	63	**–**	–
Proceeds from conversion of partly paid shares (US$ million)			**3**	9

	Performance Share Plan Performance Rights (a) 2005	2004	Bonus Equity Share Plan Shares (a) 2005	2004
Number of awards issued since commencement of the Plan	**12 679 547**	12 679 547	**1 016 845**	1 016 845
During the financial year				
Number of awards remaining at the beginning of the financial year	**5 244 027**	8 163 616	**818 746**	856 345
Number of awards issued	**–**	–	**–**	–
Number of awards exercised	**(3 218 307)**	(2 712 371)	**(748 345)**	(34 573)
Number of awards lapsed	**(396 051)**	(207 218)	**(22 739)**	(3 026)
Number of awards remaining at the end of the financial year	**1 629 669**	5 244 027	**47 662**	818 746
Exercisable	**1 629 669**	716 120	**47 662**	–
Not exercisable	**–**	4 527 907	**–**	818 746
Number of employees participating in awards issued	**–**	–	**–**	–
Market value of awards issued (US$ million) (c)	**–**	–	**–**	–
Proceeds from awards issued (US$ million)	**–**	–	**–**	–
Number of employees exercising awards	**72**	172	**83**	9
Market value of shares on exercise of awards (US$ million)	**36**	21	**11**	–

Month of issue	Number issued	Number of recipients	Number exercised	Number lapsed	Awards outstanding at: Balance date	Date of Directors' Report	Exercise price	Exercise period/ release date
Restricted Share Scheme (d)								
November 2001(Share awards)	292 577	1	98 574	194 003	–	–	–	Nov 2004
October 2001 (Share awards)	4 446 532	147	3 436 002	1 010 530	–	–	–	Nov 2004
October 2001 (Options)	918 446	32	608 525	176 943	132 978	132 978	–	Oct 2004 – Sept 2008
					132 978	**132 978**		
Co-Investment Plan (d)								
November 2001	100 945	1	23 131	77 814	–	–	–	Nov 2000 – Oct 2011
October 2001	922 480	83	146 172	254 002	522 306	516 517	–	Oct 2003 – Sept 2011
					522 306	**516 517**		
Long Term Incentive Plan Performance Shares (BHP Billiton Plc)								
December 2004	2 354 800	159	–	37 500	2 317 300	2 317 300	–	Aug 2009 – Aug 2014
					2 317 300	**2 317 300**		
Group Incentive Scheme (BHP Billiton Plc)								
Deferred Shares								
December 2004	1 308 709	200	12 958	27 493	1 268 258	1 268 258	–	Aug 2006 – Aug 2009
November 2003	1 397 818	194	78 317	94 658	1 224 843	523 493	–	Aug 2005 – Aug 2008
Options								
December 2004	378 384	45	–	19 981	358 403	358 403	£6.11	Aug 2006 – Aug 2009
November 2003	918 054	78	35 594	56 357	826 103	556 346	£4.43	Aug 2005 – Aug 2008
Performance Shares								
December 2004	358 128	42	11 036	23 250	323 842	323 842	–	Aug 2007 – Aug 2010
November 2003	1 649 448	210	98 747	109 992	1 440 709	1 440 709	–	Aug 2006 – Aug 2009
November 2002	3 966 768	209	255 381	656 545	3 054 842	1 435 045	–	Aug 2005 – Aug 2008
					8 497 000	**5 906 096**		

31 Employee share ownership plans continued

Month of issue	Number issued	Number of recipients	Number exercised	Number lapsed	Awards outstanding at: Balance date	Date of Directors' Report	Exercise price	Exercise period/ release date
Employee Share Plan Options								
September 2002	67 500	1	60 750	6 750	–	–	A$8.95	Oct 2004 – Sept 2011
November 2001	6 870 500	113	2 988 311	1 374 339	2 507 850	2 123 210	A$8.30	Oct 2004 – Sept 2011
November 2001	7 207 000	153	3 751 675	1 280 988	2 174 337	1 930 777	A$8.29	Oct 2004 – Sept 2011
December 2000	3 444 587	67	1 666 726	485 625	1 292 236	1 067 140	A$8.72	July 2003 – Dec 2010
December 2000	2 316 010	59	1 213 701	299 605	802 704	724 334	A$8.71	July 2003 – Dec 2010
November 2000	1 719 196	44	677 150	539 452	502 594	502 594	A$8.28	July 2003 – Oct 2010
November 2000	7 764 776	197	5 575 927	871 935	1 316 914	1 193 008	A$8.27	July 2003 – Oct 2010
April 2000	61 953	3	20 651	–	41 302	20 651	A$7.60	April 2003 – April 2010
April 2000	937 555	5	51 628	138 361	747 566	747 566	A$7.60	April 2003 – April 2010
December 1999	413 020	1	413 020	–	–	–	A$8.61	April 2002 – April 2009
December 1999	309 765	1	309 765	–	–	–	A$7.50	April 2002 – April 2009
October 1999	105 320	3	14 456	30 976	59 888	8 260	A$7.57	April 2002 – April 2009
July 1999	206 510	1	206 510	–	–	–	A$7.60	April 2002 – April 2009
April 1999	44 474 820	45 595	19 294 392	21 348 634	3 831 794	3 607 730	A$6.92	April 2002 – April 2009
April 1999	16 901 398	944	9 270 853	6 336 037	1 294 508	1 249 076	A$6.92	April 2002 – April 2009
					14 571 693	**13 174 346**		
Performance Share Plan Performance Rights (d)								
November 2001 (LTI)	5 114 298	110	3 161 027	813 381	1 139 890	1 054 494	–	Oct 2004 – Sept 2011
October 2001 (LTI)	173 879	2	118 670	17 389	37 820	–	–	Oct 2004 – Sept 2011
October 2001(MTI)	238 940	6	22 596	26 544	189 800	189 800	–	Oct 2003 – Mar 2006
December 2000 (LTI)	415 510	11	348 674	–	66 836	66 836	–	July 2003 – Dec 2010
November 2000 (LTI)	4 441 620	104	4 040 019	206 278	195 323	122 268	–	July 2003 – Oct 2010
					1 629 669	**1 433 398**		
Bonus Equity Share Plan Shares								
November 2001	1 016 845	117	918 863	50 320	47 662	47 662	–	Nov 2004 – Oct 2006
					47 662	**47 662**		
Long Term Incentive Plan Performance Shares (BHP Billiton Limited)								
December 2004	4 854 485	293	–	90 377	4 764 108	4 744 108	–	Aug 2009 – Aug 2014
					4 764 108	**4 744 108**		
Group Incentive Scheme (BHP Billiton Limited)								
Deferred Shares								
December 2004	2 536 991	384	52 007	40 279	2 444 705	2 425 138	–	Aug 2006 – Aug 2009
November 2003	3 001 722	391	234 988	104 175	2 662 559	1 629 032	–	Aug 2005 – Aug 2008
Options								
December 2004	780 181	70	–	–	780 181	776 322	A$15.39	Aug 2006 – Aug 2009
November 2003	1 338 814	104	–	51 955	1 286 859	1 227 846	A$11.11	Aug 2005 – Aug 2008
Performance Shares								
December 2004	637 676	105	28 199	18 895	590 582	571 812	–	Aug 2007 – Aug 2010
November 2003	3 353 538	409	216 416	171 167	2 965 955	2 953 122	–	Aug 2006 – Aug 2009
November 2002	7 510 243	425	581 667	624 531	6 304 045	3 764 581	–	Aug 2005 – Aug 2008
					17 034 886	**13 347 853**		

31 Employee share ownership plans continued

(a) The terms and conditions for all BHP Billiton Group employee ownership plans are detailed in section 8.1 of the Remuneration Report in the BHP Billiton Limited Annual Report 2005 ('Remuneration Report'), except as follows:

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

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

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

The Employee Share Plan option issues for 2002 and 2001 were made on substantially the same terms and conditions as the 2000 issue, the conditions of which are detailed in Section 8.1 of the Remuneration Report.

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

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

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

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

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

The BHP Performance Share Plan Trust (PSP Trust) is a discretionary trust established to distribute shares under selected BHP Billiton Limited employee share plan schemes. The trustee of the trust is BHP Billiton Employee Plan Pty Ltd, an Australian company. The trust uses funds provided by BHP Billiton Limited and/or its subsidiaries to acquire shares on-market to satisfy exercises made under the Group Incentive Scheme, Long Term Incentive Plan and Performance Share Plan.

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

32 Reserves

	2005 US$M	2004 US$M
Employee share awards reserve	**221**	137
Exchange fluctuation account	**417**	410
Total reserves	**638**	547
Employee share awards reserve		
Opening balance	**137**	78
Accrued employee entitlement for unvested awards	**109**	96
Vesting of employee share awards	**(25)**	(17)
Transfer of shares from BHP Billiton Plc share repurchase scheme (refer note 30)	**–**	(20)
Closing balance (a)	**221**	137
Exchange fluctuation account		
Opening balance	**410**	362
Exchange fluctuations on foreign currency net assets net of tax	**7**	48
Closing balance	**417**	410

(a) At 30 June 2005, 1 477 784 shares (2004: 4 948 281) were held in trust with a market value at that date of US$19 million (2004: US$43 million).

33 Retained profits

	2005 US$M	2004 US$M
Retained profits opening balance	**10 928**	8 558
Dividends provided for or paid [(a)]	**(1 409)**	(1 025)
Vesting of employee share awards	**(25)**	(8)
BHP Billiton Limited share buy-back [(b)]	**(1 481)**	–
Net profit	**6 009**	3 403
Retained profits closing balance	**14 022**	10 928

(a) Refer note 11.

(b) On 23 November 2004, the BHP Billiton Group completed an off-market share buy-back of 180 716 428 BHP Billiton Limited shares. In accordance with the structure of the buy-back, US$1 481 million was allocated to retained earnings. The final price for the buy-back was A$12.57 per share, representing a discount of 12 per cent to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including the closing date of the buy-back.

34 Outside equity interests

	2005 US$M	2004 US$M
Contributed equity	**65**	65
Reserves	**1**	1
Retained profits	**275**	281
Total outside equity interests	**341**	347

35 Total equity

	2005 US$M	2004 US$M
Total equity opening balance	**15 425**	12 839
Total changes in equity recognised in the Statement of Financial Performance	**6 016**	3 451
Transactions with owners as owners		
Contributed equity	**56**	66
Dividends [(a)]	**(1 409)**	(1 025)
Accrued employee entitlement to share awards	**109**	96
Cash settlement of share awards	**(3)**	–
Purchases of shares made by ESOP trusts	**(47)**	(25)
BHP Billiton Limited share buy-back [(b)]	**(1 777)**	–
Total changes in outside equity interests	**(6)**	23
Total equity closing balance	**18 364**	15 425

(a) Refer note 11.

(b) On 23 November 2004, the BHP Billiton Group completed an off-market share buy-back of 180 716 428 BHP Billiton Limited shares. As a result of the buy-back, total equity decreased by US$1 777 million (including US$5 million of transaction costs). In accordance with the structure of the buy-back, US$296 million was allocated to the contributed equity of BHP Billiton Limited and US$1 481 million was allocated to retained earnings. The final price for the buy-back was A$12.57 per share, representing a discount of 12 per cent to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including the closing date of the buy-back.

36 Notes to the Statement of Cash Flows

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

	2005 US$M	2004 US$M
Reconciliation of cash		
Cash and cash equivalents comprise:		
Cash assets		
Cash	**916**	674
Short-term deposits	**502**	1 144
Total cash assets	**1 418**	1 818
Bank overdrafts [(a)]	**(15)**	(133)
Total cash and cash equivalents	**1 403**	1 685
Reconciliation of net cash provided by operating activities to net profit		
Net profit	**6 241**	3 499
Depreciation and amortisation	**1 994**	1 793
Share of net profit of joint ventures less dividends	**(309)**	(20)
Capitalised borrowing costs	**(85)**	(97)
Exploration, evaluation and development expense (excluding diminution)	**353**	284
Net gain on sale of non-current assets	**(112)**	(101)
Discounting on provisions and other liabilities	**175**	111
Inventory fair value adjustment	**54**	–
Sale of equity interest in North West Shelf project	**(56)**	–
Sale of Laminaria and Corallina	**(134)**	–
Disposal of Chrome operations	**(142)**	–
Restructuring provisions	**79**	–
Provision for termination of operations	**246**	–
Closure plans	**121**	534
Dalmine settlement	**–**	(66)
Diminution of property, plant and equipment, investments and intangibles	**16**	116
Employee share awards	**116**	96
Exchange differences on Group debt	**15**	104
Change in assets and liabilities net of effects from acquisitions and disposals of controlled entities and exchange fluctuations		
Increase in inventories	**(393)**	(356)
Decrease/(increase) in deferred charges	**11**	(80)
Increase in trade receivables	**(521)**	(560)
(Increase)/decrease in sundry receivables	**(146)**	35
Increase/(decrease) in income taxes payable	**545**	(19)
Decrease in deferred taxes	**(9)**	(439)
Increase in trade creditors	**585**	259
Increase/(decrease) in sundry creditors	**116**	(3)
Increase/(decrease) in interest payable	**5**	(2)
Increase in other provisions and liabilities	**149**	84
Other movements	**12**	3
Net cash provided by operating activities	**8 926**	5 175

36 Notes to the Statement of Cash Flows continued

	2005 US$M	2004 US$M
Carrying amount of controlled entities and operations disposed		
Value of assets and liabilities of entities and operations disposed of:		
Cash and cash equivalents	**90**	5
Receivables (current)	**108**	14
Inventories (current)	**78**	2
Other (current)	**–**	1
Receivables (non-current)	**88**	3
Investments (non-current)	**2**	–
Property, plant and equipment	**337**	77
Intangible assets	**49**	–
Other (non-current)	**–**	6
Payables and interest bearing liabilities (current)	**(154)**	(4)
Provisions (current)	**(22)**	(2)
Payables and interest bearing liabilities (non-current)	**(138)**	–
Provisions (non-current)	**(151)**	(55)
Net identifiable assets	**287**	47
Net consideration received		
Cash	**563**	53
Profit on disposal	**276**	6
Non-cash financing and investing activities		
Other:		
Employee Share Plan loan instalments [(b)]	**2**	1

Refer note 3 for further details regarding the acquisition of WMC Resources Ltd. There were no material acquisitions in 2004.

(a) Refer note 25.
(b) The Employee Share Plan loan instalments represent the repayment of loans outstanding with the BHP Billiton Group, by the application of dividends.

37 Standby arrangements, unused credit facilities

	Facility available 2005 US$M	Used 2005 US$M	Unused 2005 US$M	Facility available 2004 US$M	Used 2004 US$M	Unused 2004 US$M
BHP Billiton Group						
Bank standby and support arrangements						
Acquisition finance facility	**5 500**	**3 000**	**2 500**	–	–	–
Revolving credit facilities	**3 000**	**–**	**3 000**	2 500	–	2 500
Overdraft facilities	**62**	**15**	**47**	184	133	51
Total financing facilities	**8 562**	**3 015**	**5 547**	2 684	133	2 551

Details of major standby and support arrangements are as follows:

Acquisition finance facility
In March 2005, the BHP Billiton Group established a term facility of US$5.5 billion comprising of a US$3.3 billion 18-month tranche and a US$2.5 billion five-year tranche. The purpose of this facility was for the acquisition of WMC Resources Ltd.

Revolving credit facility
In September 2004, the Group's US$2.5 billion multi-currency revolving credit facility was cancelled and replaced with a new US$2.0 billion multi-currency revolving credit facility maturing in September 2009. In March 2005, this facility (which can be used for general corporate purposes) was increased to US$3 billion.

The BHP Billiton Group has access to short-term finance under an A$2 billion Australian commercial paper programme and a US$3 billion US commercial paper programme. There was US$1.6 billion commercial paper outstanding under the US commercial paper programme at 30 June 2005 (2004: US$nil). The Australian commercial paper programme was undrawn at 30 June 2005 (2004: US$nil). The commercial paper programmes are supported by the US$3 billion multi-currency revolving credit facility.

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

As at 30 June 2005, total overdraft facilities utilised by various entities within the Group were US$15 million (2004: US$133 million).

38 Financial instruments

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

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

There are two components to the Portfolio Risk Management strategy:

Risk mitigation – where risk is managed at the portfolio level within an approved Cash Flow at Risk ('CFaR') framework to support the achievement of the BHP Billiton Group's broader strategic objectives. The CFaR framework is a means to quantify the variability of the BHP Billiton Group's cash flows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cash flows over a one-year horizon under normal market conditions at a confidence level of 95 per cent).

Where CFaR is within the Board-approved limits, hedging activities of operational currency exposures are not undertaken. However, the Group generally hedges the non-US dollar currency exposure of major capital expenditure projects and non-US dollar marketing contracts. There could also be circumstances, for example, such as following a major acquisition, when it becomes appropriate to mitigate risk in order to support the BHP Billiton Group's strategic objectives. In such circumstances, the BHP Billiton Group may execute hedge transactions or utilise other techniques to return risk to within approved parameters.

Strategic financial transactions – where opportunistic transactions are entered into to capture value from perceived market over/under valuations. These transactions occur on an infrequent basis and are treated separately to the risk mitigation transactions, with all gains and losses included in the Statement of Financial Performance at the end of each reporting period. These transactions are strictly controlled under a separate stop-loss and Value at Risk limit framework. There have been no strategic financial transactions undertaken to date.

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

The FRMC receives reports on, amongst other matters: financing requirements both for existing operations and new capital projects; assessments of risks and rewards implicit in requests for financing; and market forecasts for interest rates, currency movements and commodity prices, including analysis of sensitivities. In addition, the FRMC receives reports on the various financial risk exposures of the BHP Billiton Group. On the basis of this information, the FRMC determines the degree to which it is appropriate to use financial instruments, commodity contracts, other hedging instruments or other techniques to mitigate the identified risks. The main risks for which such instruments may be appropriate are interest rate risk, liquidity risk, foreign currency risk and commodity price risk, each of which is described below. In addition, where risks could be mitigated by insurance the FRMC decides whether such insurance is appropriate and cost-effective. FRMC decisions can be implemented directly by Group management or can be delegated from time to time to be implemented by the management of the Customer Sector Groups.

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

Interest rate risk
The BHP Billiton Group is exposed to interest rate risk on its outstanding borrowings and investments. Interest rate risk is managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

When required under this strategy, the BHP Billiton Group uses interest rate swaps, including cross currency interest rate swaps, to convert a fixed rate exposure to a floating rate exposure or vice versa. All interest swaps have been designed as hedging instruments.

The interest rate risk tables present interest rate risk and effective weighted average interest rates for classes of financial assets and liabilities.

The combined interest rate and foreign currency risk tables also present interest rate risk as well as weighted average fixed interest rates and weighted average maturities. These tables present the information for each principal currency in which financial assets and liabilities are denominated.

38 Financial instruments continued

Interest rate risk

2005	Note	Weighted average interest rate[(a)]	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 2 years	2 to 5 years	More than 5 years[(c)]	Non-interest bearing	Total
Financial assets									
Cash	36	**2.3%**	**1 210**	**208**	**–**	**–**	**–**	**–**	**1 418**
Receivables		**8.3%**	**84**	**8**	**–**	**2**	**5**	**3 829**	**3 928**
Other financial assets	14,19	**7.5%**	**210**	**2**	**–**	**–**	**–**	**98**	**310**
			1 504	**218**	**–**	**2**	**5**	**3 927**	**5 656**
Financial liabilities									
Payables		**–**	**–**	**–**	**–**	**–**	**–**	**4 023**	**4 023**
Bank overdrafts (unsecured)	25	**3.5%**	**15**	**–**	**–**	**–**	**–**	**–**	**15**
Bank loans	25,28	**3.6%**	**3 173**	**–**	**–**	**–**	**–**	**–**	**3 173**
Commercial paper	28	**3.2%**	**1 602**	**–**	**–**	**–**	**–**	**–**	**1 602**
Notes and debentures	25,28	**5.1%**	**2 264**	**316**	**1**	**–**	**1 809**	**–**	**4 390**
Non-recourse finance	25,28	**4.0%**	**649**	**23**	**23**	**12**	**–**	**–**	**707**
Secured debt (limited recourse)	25,28	**6.1%**	**175**	**28**	**28**	**115**	**89**	**–**	**435**
Redeemable preference shares	28	**5.4%**	**150**	**300**	**–**	**–**	**–**	**–**	**450**
Lease liabilities	25,28	**7.9%**	**33**	**–**	**–**	**–**	**23**	**–**	**56**
Other interest bearing liabilities	25,28	**6.2%**	**134**	**7**	**9**	**27**	**63**	**58**	**298**
Employee benefits [(b)]	26,29	**5.1%**	**80**	**–**	**–**	**–**	**–**	**760**	**840**
			8 275	**674**	**61**	**154**	**1 984**	**4 841**	**15 989**
Interest rate swaps [(c)]			**(2 263)**	**281**	**–**	**1 132**	**850**		

2004	Note	Weighted average interest rate[(a)]	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 2 years	2 to 5 years	More than 5 years[(c)]	Non-interest bearing	Total
Financial assets									
Cash	36	1.1%	1 747	71	–	–	–	–	1 818
Receivables		8.6%	225	–	17	15	8	3 128	3 393
Other financial assets	14,19	9.5%	155	4	–	–	6	125	290
			2 127	75	17	15	14	3 253	5 501
Financial liabilities									
Payables		–	–	–	–	–	–	2 550	2 550
Bank overdrafts (unsecured)	25	1.9%	133	–	–	–	–	–	133
Bank loans	25,28	7.4%	238	64	–	5	–	–	307
Commercial paper	28	–	–	–	–	–	–	–	–
Notes and debentures	25,28	3.8%	2 394	176	316	–	1 073	–	3 959
Non-recourse finance	25,28	2.5%	825	23	–	58	–	–	906
Secured debt (limited recourse)	25,28	6.1%	193	28	32	98	135	–	486
Redeemable preference shares	28	5.2%	150	–	300	–	–	–	450
Lease liabilities	25,28	11.6%	34	2	–	10	30	–	76
Other interest bearing liabilities	25,28	6.1%	268	7	7	23	80	81	466
Employee benefits [(b)]	26,29	5.9%	72	–	–	–	–	550	622
			4 307	300	655	194	1 318	3 181	9 955
Interest rate swaps [(c)]			(2 263)	–	281	1 132	850		

(a) Weighted average interest rates take into account the effect of interest rate and cross currency swaps.
(b) Employee benefits to be settled in cash.
(c) Included in the floating rate debt of US$8 275 million (2004: US$4 307 million) is fixed rate debt of US$2 263 million (2004: US$2 263 million) that has been swapped to floating rates. US$500 million of fixed rate debt presented above as maturing in greater than five years will be exposed to a floating rate of interest from November 2005 until maturity. Refer to the interest rate and cross currency swap table below.

Combined interest rate and foreign currency risk

2005	Floating rate[a] US$M	Fixed rate US$M	Non-interest bearing US$M	Total US$M	Weighted average interest rate (%) Fixed rate	Weighted average period for which rate is fixed Years	Weighted average period to maturity of non-interest bearing balances Years
Financial assets							
US dollars	**753**	**215**	**2 866**	**3 834**	**2.81**	**1**	**1**
South African rand	**361**	**2**	**214**	**577**	**8.70**	**1**	**1**
Australian dollars	**84**	**5**	**486**	**575**	**2.30**	**1**	**3**
Canadian dollars	**41**	**–**	**4**	**45**	**–**	**–**	**3**
Other	**265**	**3**	**357**	**625**	**2.30**	**1**	**2**
	1 504	**225**	**3 927**	**5 656**	**2.85**	**1**	**2**
Financial liabilities [b]							
US dollars	**8 112**	**2 780**	**1 449**	**12 341**	**6.70**	**8**	**1**
South African rand	**12**	**81**	**403**	**496**	**13.49**	**12**	**2**
Australian dollars	**137**	**3**	**2 368**	**2 508**	**8.00**	**8**	**1**
Canadian dollars	**–**	**–**	**119**	**119**	**–**	**–**	**1**
Other	**14**	**9**	**502**	**525**	**7.20**	**11**	**1**
	8 275	**2 873**	**4 841**	**15 989**	**6.89**	**8**	**1**

2004	Floating rate[a] US$M	Fixed rate US$M	Non-interest bearing US$M	Total US$M	Weighted average interest rate (%) Fixed rate	Weighted average period for which rate is fixed Years	Weighted average period to maturity of non-interest bearing balances Years
Financial assets							
US dollars	1 503	62	2 069	3 634	4.24	2	2
South African rand	185	10	258	453	3.22	1	1
Australian dollars	115	29	358	502	5.36	2	3
Canadian dollars	32	–	10	42	–	–	1
Other	292	20	558	870	1.08	1	2
	2 127	121	3 253	5 501	3.90	2	2
Financial liabilities [b]							
US dollars	3 897	2 278	1 273	7 448	7.20	8	1
South African rand	84	158	452	694	10.56	9	1
Australian dollars	285	14	1 044	1 343	8.73	5	2
Canadian dollars	–	–	90	90	–	–	1
Other	41	17	322	380	6.73	9	1
	4 307	2 467	3 181	9 955	7.42	8	1

(a) The floating rate financial liabilities bear interest at various rates set with reference to the prevailing LIBOR or equivalent for that time period and country.
(b) Financial liabilities are presented after the effect of cross currency and interest rate swaps.

38 Financial instruments continued

Details of interest rate swaps and cross currency swaps used to hedge interest rate and foreign currency risks are as follows:

	Weighted average exchange rate 2005	2004	Weighted average interest rate payable 2005 %	2004 %	Weighted average interest rate receivable 2005 %	2004 %	Interest rate swap amount (a) 2005 US$M	2004 US$M	Cross currency swap amount (a) 2005 US$M	2004 US$M
Interest rate swaps										
US dollar swaps										
Pay floating (b)/receive fixed										
Later than five years	**n/a**	n/a	**2.68**	1.80	**4.80**	4.80	**850**	850	**n/a**	n/a
Pay floating (b)/receive fixed (c)										
Later than five years	**n/a**	n/a	**3.96**	–	**5.13**	–	**500**	–	**n/a**	n/a
Pay fixed/receive floating (b)(c)										
Not later than one year	**n/a**	n/a	**1.74**	–	**3.96**	–	**(500)**	–	**n/a**	n/a
Cross currency swaps										
Australian dollar to US dollar swaps										
Pay floating (b)/receive floating (b)										
Not later than one year	**–**	0.5217	**–**	1.61	**–**	5.68	**–**	–	**–**	130
Pay floating (b)/receive fixed										
Not later than one year	**0.5620**	–	**4.96**	–	**7.50**	–	**281**	–	**281**	–
Later than one year but not later than two years	**–**	0.5620	**–**	2.09	**–**	7.50	**–**	281	**–**	281
Later than two years but not later than five years	**0.5217**	0.5217	**3.57**	1.96	**6.25**	6.25	**391**	391	**391**	391
Euro to US dollar swaps										
Pay floating (b)/receive fixed										
Later than two years but not later than five years	**0.9881**	0.9881	**2.83**	1.43	**3.88**	3.88	**741**	741	**741**	741
							2 263	2 263	**1 413**	1 543

(a) Amount represents US$ equivalent of principal payable under the swap contract.
(b) Floating interest rate in future periods will be based on LIBOR for US dollar swaps and BBSW for Australian dollar swaps applicable at the time of the interest rate reset.
(c) The pay fixed/receive floating leg of the swap matures in November 2005. The pay floating/receive fixed leg of the swap matures in May 2013. Therefore US$500 million of fixed rate debt at 30 June 2005 will be exposed to a floating interest rate from November 2005 until maturity in 2013.

Currency risk

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

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

The potential currency exposures are discussed below.

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

Operating expenditure and capital expenditure is incurred by some operations in currencies other than their functional currency. To a lesser extent, sales revenue is earned in currencies other than the functional currency of operations, and certain exchange control restrictions may require that funds be maintained in currencies other than the functional currency of the operation. These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

When required under this strategy, foreign exchange hedging contracts are entered into in foreign exchange markets. Operating and capital costs are hedged using forward exchange and currency option contracts.

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

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

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

Forward exchange contracts

	Weighted average exchange rate 2005	2004	Contract amounts 2005 US$M	2004 US$M
Relating to capital expenditure hedging				
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	**0.7251**	0.7069	**753**	361
Later than one year but not later than two years	**0.6993**	0.6928	**123**	334
Later than two years but not later than three years	**0.7215**	0.6803	**4**	68
Later than three years but not later than four years	**–**	0.6715	**–**	1
Total	**0.7214**	0.6983	**880**	764
Forward contracts – sell Australian dollars/buy US dollars				
Not later than one year	**0.7649**	–	**77**	–
Later than one year but not later than two years	**0.7507**	–	**14**	–
Later than two years but not later than three years	**0.7408**	–	**4**	–
Total	**0.7618**	–	**95**	–
Forward contracts – sell US dollars/buy Euros				
Not later than one year	**0.7773**	–	**21**	–
Later than one year but not later than two years	**0.7553**	–	**2**	–
Total	**0.7754**	–	**23**	–
Forward contracts – sell US dollars/buy Canadian dollars				
Not later than one year	**1.2821**	–	**30**	–
Total	**1.2821**	–	**30**	–
Forward contracts – sell US dollars/buy Chilean pesos				
Not later than one year	**586.6**	–	**117**	–
Later than one year but not later than two years	**588.5**	–	**15**	–
Total	**586.8**	–	**132**	–
Forward contracts – sell US dollars/buy Japanese yen				
Not later than one year	**103.57**	–	**5**	–
Total	**103.57**	–	**5**	–
Forward contracts – sell other currencies/buy US dollars				
Not later than one year	**n/a**	–	**10**	–
Total	**n/a**	–	**10**	–
Relating to operating hedging				
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	**–**	0.7101	**–**	7
Total	**–**	0.7101	**–**	7
Forward contracts – sell Australian dollars/buy US dollars				
Not later than one year	**–**	0.6882	**–**	58
Total	**–**	0.6882	**–**	58
Forward contracts – sell Euros/buy US dollars				
Not later than one year	**0.8089**	0.8313	**142**	136
Later than one year but not later than two years	**0.7850**	0.8383	**32**	57
Total	**0.8045**	0.8334	**174**	193

Corporate Directory

BHP BILLITON LIMITED REGISTERED OFFICE

Australia
BHP Billiton Limited
BHP Billiton Centre
180 Lonsdale Street
Melbourne VIC 3000

Telephone (61 3) 9609 3333
Facsimile (61 3) 9609 3015

Company Secretary
Karen J Wood

SHAREHOLDER SERVICES

Australia
Principal Register and Share Office
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Postal Address – GPO Box 2975
Melbourne VIC 3001

Telephone 1300 656 780 (within Australia)
(61 3) 9415 4020 (outside Australia)
Facsimile (61 3) 9473 2460
Email enquiries:
web.queries@computershare.com.au

New Zealand
Computershare Investor Services Limited
Level 2/159 Hurstmere Road
Takapuna North Shore City
Postal Address –
Bag 92119 Auckland 1020

Telephone (64 9) 488 8777
Facsimile (64 9) 488 8787

United Kingdom
The Registrar
Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 7NH
Postal Address –
PO Box 82 Bristol BS99 7NH

Telephone (44 870) 703 0051
Facsimile (44 870) 703 6103

United States
Computershare Investor Services
2 North LaSalle Street
Chicago, IL 60602
Postal Address – PO Box 0289
Chicago, IL 60690-9569

Telephone 1 888 404 6340 (toll-free within US)
Facsimile (1 312) 461 4331

ADR Depositary, Transfer Agent and Registrar
JPMorgan Chase Bank
Shareholder Services
PO Box 43013
Providence, RI 02940-3013

Telephone (1 781) 575 4328 (outside of US)
1 800 990 1135 (toll-free within US)
Facsimile (1 781) 575 4082
Email: adr@jpmorgan.com

Other details provided to assist shareholders.

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

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

BHP BILLITON CORPORATE CENTRES

United Kingdom
Neathouse Place
London SW1V 1BH

Telephone (44 20) 7802 4000
Facsimile (44 20) 7802 4111

South Africa
6 Hollard Street
Johannesburg 2001

Telephone (27 11) 376 9111
Facsimile (27 11) 838 4716

Chile
Avenida Americo Vespucio Sur # 100, 9th Floor
Las Condes
Santiago

Telephone (56 2) 330 5000
Facsimile (56 2) 330 5601

United States
1360 Post Oak Boulevard, Suite 150
Houston, TX 77056-3020

Telephone (1 713) 961 8500
Facsimile (1 713) 961 8400

MARKETING OFFICES

The Netherlands
Verheeskade 25
2521 BE The Hague

Telephone (31 70) 315 6666
Facsimile (31 70) 315 6767

Singapore
168 Robinson Road #10-01
Capital Tower
Singapore 068912

Telephone (65) 6349 3333
Facsimile (65) 6349 4000

Receive your Annual Report electronically.

The BHP Billiton Limited Annual Reports (Concise Report and Combined Financial Statements) are also posted on the internet. Shareholders are encouraged to visit *www.bhpbilliton.com* to inspect the electronic version of the Annual Report and provide feedback to the Company.

The single parent entity financial statements of BHP Billiton Limited are available on the Company's website (*www.bhpbilliton.com*) and are available to shareholders on request free of charge.

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