BHP Billiton Limited (single parent entity)
Financial statements

ABN 49 004 028 077

for the year ended 30 June 2007

Contents

BHP Billiton Limited (single parent entity)
Income statement
For the year ended 30 June 2007

	Notes	**2007 US$M**	2006 US$M
Revenue	2	**3,588**	4,919
Expenses, excluding finance costs	3	**(2,555)**	(391)
Finance income	3	**950**	857
Finance expense	3	**(1,048)**	(519)
Profit before income tax		**935**	4,866
Income tax benefit/(expense)	5	**16**	(70)
Profit for the year		**951**	4,796
Profit attributable to members of BHP Billiton Limited (single parent entity)		**951**	4,796

The accompanying notes form part of these financial statements.

BHP Billiton Limited (single parent entity)
Statement of recognised income and expense
For the year ended 30 June 2007

	2007 US$M	2006 US$M
Amounts recognised directly in equity		
Actuarial gains/(losses) on pension plans (see note 22)	**7**	1
Changes in fair value of shares in related parties (see note 11)	**130**	-
Tax on employee share award entitlements taken directly to equity (see note 13)	**(26)**	-
Net income recognised directly in equity	**111**	1
Profit for the year	**951**	4,796
Total recognised income and expense for the year	**1,062**	4,797

The accompanying notes form part of these financial statements.

BHP Billiton Limited (single parent entity)
Balance sheet
As at 30 June 2007

	Notes	**2007 US$M**	2006 US$M
ASSETS			
Current assets			
Cash and cash equivalents	6	**810**	1
Trade and other receivables (a)	7	**14,926**	14,791
Other	8	**-**	2
Total current assets		**15,736**	14,794
Non-current assets			
Trade and other receivables (a)	9	**3,098**	2,960
Other financial assets at cost	10	**13,084**	12,825
Other financial assets at fair value	11	**1,062**	-
Property, plant and equipment	12	**1**	1
Deferred tax assets	13	**210**	132
Total non-current assets		**17,455**	15,918
Total assets		**33,191**	30,712
LIABILITIES			
Current liabilities			
Trade and other payables (a)	14	**19,922**	14,419
Interest bearing liabilities	15	**1**	1
Provisions	16	**225**	147
Current tax payable	17	**1,019**	1,039
Total current liabilities		**21,167**	15,606
Non-current liabilities			
Interest bearing liabilities (a)	18	**2,222**	2,333
Provisions	19	**183**	61
Total non-current liabilities		**2,405**	2,394
Total liabilities		**23,572**	18,000
NET ASSETS		**9,619**	12,712
EQUITY			
Share capital	20	**932**	1,202
Reserves	21	**727**	540
Retained earnings	22	**7,960**	10,970
Total equity		**9,619**	12,712

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

The accompanying notes form part of these financial statements.

BHP Billiton Limited (single parent entity)
Cash flow statement
For the year ended 30 June 2007

	Notes	**2007 US$M**	2006 US$M
Operating activities			
Receipts from customers		**271**	144
Payments to suppliers and employees		**(573)**	(369)
Cash used in operations		**(302)**	(225)
Interest received	3	**950**	857
Dividends received	2	**3,317**	4,775
Interest paid	3	**(671)**	(505)
Income tax paid		**(1,894)**	(1,289)
Net operating cash flows	33	**1,400**	3,613
Investing activities			
Investments in controlled entities		**(259)**	(848)
Net investing cash flows		**(259)**	(848)
Financing activities			
Share buy-back of BHP Billiton Limited shares		**(2,824)**	(1,620)
Proceeds from ordinary share issues		**22**	24
Purchase of shares by ESOP trusts		**(124)**	(120)
Dividends paid		**(1,348)**	(1,149)
Purchase of BHP Billiton Plc shares		**(2,799)**	-
Net financing from related entities		**6,728**	107
Net financing cash flows		**(345)**	(2,758)
Net increase in cash and cash equivalents		**796**	7
Cash and cash equivalents, net of overdrafts, at beginning of year		**-**	(1)
Effects of foreign currency exchange rate changes on cash and cash equivalents		**13**	(6)
Cash and cash equivalents, net of overdrafts, at end of year	6	**809**	-

The accompanying notes form part of these financial statements.

Contents of the notes to the financial statements

1 Statement of accounting policies

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

Basis of preparation

This general purpose financial report for the year ended 30 June 2007 has been prepared in accordance with Australian Accounting Standards, being Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board (AASB) and interpretations effective as of 30 June 2007, other authoritative pronouncement of AASB, Urgent Issues Group Interpretations (UIG) as adopted by AASB and the Corporations Act 2001.

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

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

Pursuant to Section 340 of the Corporations Act 2001, the Australian Securities and Investments Commission issued an order dated 8 September 2006 that granted relief from the requirement under the Act to distribute single entity financial statements of BHP Billiton Limited ("BHP Billiton") to its members. The Annual Report for the year ended 30 June 2007 of the BHP Billiton Group is distributed to members and includes, in a note to the financial statements, the income statement, the balance sheet, the statement of recognised income and expense and cash flow statement of BHP Billiton (single parent entity). The relief order requires the single parent entity financial statements to be available on the Company's website and to be available to members by request free of charge.

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

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

(ii) any segment information;

(iii) any earnings per share information;

(iv) any key management personnel disclosures;

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

(vi) any financial instruments disclosures;

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

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

The DLC arrangements, including dividend equalisation, are detailed under "Dual Listed Companies' structure and basis of preparation of financial statements" within note 1 "Accounting policies" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

This financial report has been prepared on the basis of IFRS on issue that are effective, or except as described below, available for early adoption at 30 June 2007. For the 30 June 2007 financial year, BHP Billiton adopted the following interpretations:

- AASB Interpretation 4 'Determining Whether an Arrangement Contains a Lease'
- AASB Interpretation 8 'Scope of IFRS 2'
- AASB Interpretation 9 'Reassessment of Embedded Derivatives'
- AASB Interpretation 10 'Interim Financial Reporting and Impairment'
- AASB Interpretation 11 'Group and Treasury Share Transactions'

The application of these interpretations did not have a material impact on the current or comparative periods.

For the 30 June 2007 financial year BHP Billiton did not early adopt the following standards:

1 Statement of accounting policies (continued)

- AASB 7 'Financial Instruments: Disclosures'. AASB 7 modifies the basis and details of disclosures concerning financial instruments, but does not impact the recognition or measurement of financial instruments. The potential impact on disclosures had the standard been adopted early for that financial year has not yet been determined.

- AASB 2007-4 'Australian Additions to, and Deletions from, IFRSs'. AASB 2007-4 reinstates optional treatments within IFRS that were not available on transition in Australia. The potential impact on disclosures had the standard been adopted early for that financial year has not yet been determined.

Basis of measurement

The financial report is drawn up on the basis of historical cost principles, except for derivative financial instruments and investments held for trading or available for sale, and certain financial assets designated as being measured at fair value.

Currency of presentation

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

Business combinations

Business combinations occurring after 1 July 2004 are accounted for in accordance with the policy stated below. Business combinations occurring prior to this date have been accounted for in accordance with BHP Billiton's previous policies under Australian GAAP and have not been restated.

Business combinations are accounted for by applying the purchase method of accounting, whereby the purchase consideration of the combination is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. Those mineral rights that may be reliably valued are recognised in the assessment of fair values on acquisition. Other potential mineral rights for which values may not be reliably determined are not recognised.

Where the cost of acquisition exceeds the fair values attributable to BHP Billiton's share of the identifiable net assets, the difference is treated as purchased goodwill and accounted for in line with BHP Billiton's policy thereon. Where the fair value of BHP Billiton's share of the identifiable net assets exceeds the cost of acquisition the difference is immediately recognised in the income statement.

Foreign currencies

BHP Billiton's reporting currency and functional currency is the US dollar as this is the principal currency of the economic environment in which it operates.

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

Revenue

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

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

1 Statement of accounting policies (continued)

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

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

Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the year end, and includes any adjustment to tax payable in respect of previous years.

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

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

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

Tax consolidation

BHP Billiton and its wholly-owned Australian resident entities are taxed as a single entity. The entities within the tax consolidated group have entered into a tax sharing agreement and a tax consolidation agreement with BHP Billiton. Under the tax sharing agreement the entities in the tax consolidated group agree to pay a tax equivalent amount to BHP Billiton for current income tax payable or to receive a tax equivalent amount from BHP Billiton for current income tax receivable and/or tax losses. The contributions of each entity are determined and recognised as if it were a stand-alone entity and essentially this method of calculating the contribution requires the calculation of income tax expense as if the entity had not been a member of the tax consolidated group.

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

1 Statement of accounting policies (continued)

Leased assets

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

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

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

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment charges. Some assets acquired prior to 1 July 1998 are measured at deemed cost, being the revalued amount of the asset immediately prior to that date. Subsequent to 1 July 1998, the cost regime was applied to all assets. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition or construction and includes the direct cost of bringing the asset to the location and condition necessary for operation and the direct cost of dismantling and removing the asset.

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

Depreciation of property, plant and equipment
The carrying amounts of property, plant and equipment (including the initial and subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. The major categories of property, plant and equipment are depreciated on a unit of production and/or straight-line basis using estimated lives as follows:

• Buildings	25 to 50 years
• Land	not depreciated
• Plant, machinery and equipment	4 to 30 years

Impairment of non-current assets

Formal impairment tests are carried out annually for goodwill. Formal impairment tests for all other assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. BHP Billiton conducts annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future processes, costs and other market factors are also monitored to assess for indications of impairment. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less direct costs to sell for the asset and the asset's value in use

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

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

1 Statement of accounting policies (continued)

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

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

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

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

Finance costs

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

Finance costs are capitalised up to the date when the asset is ready for its intended use. The amount of finance costs capitalised (before the effects of income tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

Restoration and rehabilitation

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

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

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

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is recognised in Property, Plant and Equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in financial expenses.

1 Statement of accounting policies (continued)

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of the related assets, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include:

- Revisions to estimated reserves, resources and lives of operations
- Developments in technology
- Regulatory requirements and environmental management strategies
- Changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates
- Movements in interest rates affecting the discount rate applied

Provision for employee benefits

Provision is made in the financial statements for all employee benefits, including on-costs. In relation to industry-based long service leave funds, BHP Billiton's liability, including obligations for funding shortfalls, is determined after deducting the fair value of deducted assets of such funds.

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

The liability for long service leave for which settlement within 12 months of the reporting date cannot be deferred is recognised in the current provision for employee benefits and is measured in accordance with annual leave described above. The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognised in the non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate or national government bonds (as applicable) with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

The fair value at grant date of equity settled share awards granted after 8 November 2002 is charged to the income statement over the period for which the benefits of employee services are expected to be derived. The corresponding accrued employee entitlement is recorded in the employee share awards reserve. The fair value of awards is calculated using an option pricing model which considers the following factors:

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

For equity settled share awards granted before 7 November 2002 [and remained unvested at 1 July 2004], the estimated cost of share awards is charged to the income statement from grant date to the date of expected vesting. The estimated cost of awards is based on the market value of shares at the grant date or the intrinsic value of options awarded, adjusted to reflect the impact of performance conditions, where applicable.

1 Statement of accounting policies (continued)

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

The accounting policy is applied with respect to all rights and options granted over BHP Billiton shares including those granted to employees of other Group companies. However, the cost of rights and options granted is recovered from subsidiaries of the Group where the participants are employed

Superannuation, pensions and other post-retirement benefits

BHP Billiton 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 BHP Billiton 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's employees, the pension charge is calculated on the basis of contributions payable.

For defined benefit schemes, the cost of providing pensions is charged to the income statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets. Actuarial gains and losses are recognised in full directly in equity. An asset or liability is consequently recognised in the balance sheet based on the present value of defined benefit obligations, less any unrecognised past service costs and the fair value of plan assets, except that any such asset can not exceed the total of unrecognised past service costs and the present value of refunds from and reductions in future contributions to the plan.

1 Statement of accounting policies (continued)

Financial instruments

All financial assets are initially recognised at the fair value of consideration paid. Subsequently, financial assets are carried at fair value or amortised cost less impairment charges. Where non-derivative financial assets are carried at fair value, gains and losses on remeasurement are recognised directly in equity unless the financial assets have been designated as being held at fair value through profit, in which case the gains and losses are recognised directly in the income statement. Financial assets have been designated as being held at fair value through profit when this is necessary to reduce measurement inconsistencies for related assets and liabilities. All financial liabilities other than derivatives are initially recognised at fair value of consideration received net of transaction costs as appropriate (initial cost) and subsequently carried at amortised cost.

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

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

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

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

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

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

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

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

1 Statement of accounting policies (continued)

Application of critical accounting policies and estimates

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

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

Rounding of amounts

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

Change in accounting policy

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

Comparatives

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

Restatement of comparatives

Certain comparative balances have been restated to conform with the current year's presentation.

2 Revenue from operating activities

	2007 US$M	2006 US$M
Dividend income	**3,317**	4,775
Management fees received from controlled entities	**115**	128
Guarantee fees	**16**	16
Performance rights management fee	**140**	-
	3,588	4,919

3 Expenses

	2007 US$M	2006 US$M
Expenses excluding finance costs		
Information technology expenses	**30**	19
External services	**190**	144
Employee benefits expense	**192**	167
Foreign exchange loss (net)	**38**	22
Exceptional items (see note 4)	**2,073**	-
Other expenses from ordinary activities	**32**	39
	2,555	391
Finance expenses		
Exchange losses on foreign currency borrowings	**371**	14
Interest and finance charges paid/payable to related parties	**671**	500
Discount on pension entitlements	**6**	5
Finance income		
Interest received - external	**-**	(11)
Interest from controlled entities	**(943)**	(838)
Return on pension plan assets	**(7)**	(8)
Net finance costs	**98**	(338)

4 Exceptional items

Exceptional items are those items where their nature and amount is considered material to the financial report. Such items included within BHP Billiton profit for the year are detailed below.

Year ended 30 June 2007

	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Newcastle steelworks rehabilitation (a)	(167)	50	(117)
Loss on cancellation of BHP Billiton Plc shares (b)	(1,906)	-	(1,906)
	(2,073)	50	(2,023)

(a) BHP Billiton recognised a charge against profits of US$167 million (US$50 million tax benefit) for additional rehabilitation obligations in respect of former operations at the Newcastle steelworks (Australia). The increase in obligations relate to increases in the volume of sediment in the Hunter River requiring remediation and treatment, and increases in treatment costs.

(b) BHP Billiton acquired BHP Billiton Plc shares as part of a share buy-back program of the BHP Billiton Group. Following the purchase, BHP Billiton Plc cancelled these shares on a quarterly basis. On cancellation, the value of these shares is taken to the income statement in the BHP Billiton accounts. As these are transactions between BHP Billiton Group companies there is no cost to the BHP Billiton Group. Cancellations of BHP Billiton Plc shares occurred on the 18 January 2007 and 23 April 2007. The number of shares cancelled were 67,285,000, valued at US$1,220 million and 34,400,000, valued at US$791 million.

Year ended 30 June 2006

There were no exceptional items for the year ended 30 June 2006

5 Income tax expense

	2007 US$M	2006 US$M
(a) Income tax expense		
Current tax	**36**	66
Deferred tax (see note 13)	**(52)**	4
	(16)	70
(b) Reconciliation of income tax expense		
Profit before income tax expense	**935**	4,866
Tax at the Australian tax rate of 30%	**280**	1,460
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable dividends	**(995)**	(1,424)
Non-assessable income	**-**	(24)
Transfer of prior year capital losses	**(9)**	10
Withholding tax	**9**	8
Foreign exchange differences	**75**	(13)
Impairment of investments	**573**	-
Other items	**52**	61
	(15)	78
Income tax expense attributable to controlled entities	**2,588**	1,686
Income tax expense recovered from controlled entities	**(2,588)**	(1,686)
Over provision in prior years	**(1)**	(8)
Total income tax (benefit)/expense	**(16)**	70

6 Current assets - Cash at bank

	2007 US$M	2006 US$M
Cash at bank and in hand	**2**	1
Short term deposits	**808**	-
	810	1

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

	2007 US$M	2006 US$M
Balances as above	**810**	1
Bank overdrafts (see note 35)	**(1)**	(1)
Balances per statement of cash flows	**809**	-

7 Current assets - Trade and other receivables

	2007 US$M	2006 US$M
Receivable from related entities - other	**12,894**	13,088
Receivable from controlled entities - income tax	**1,989**	1,661
Other receivables	**40**	40
Employee share plan loans (a)	**3**	2
	14,926	14,791

(a) Further details in respect of this Note are set out in Note 11 "Trade and other receivables" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

8 Current assets - Other current assets

	2007 US$M	2006 US$M
Prepayments	**-**	2

9 Non-current assets - Trade and other receivables

	2007 US$M	2006 US$M
Receivable from related entities - other	**3,061**	2,916
Employee share plan loans	**37**	44
	3,098	2,960

10 Non-current assets - Other financial assets at cost

	2007 US$M	2006 US$M
Shares in controlled entities - at cost (a)	**13,084**	12,825

(a) The movement in shares in controlled entities relates to additional equity funding for existing controlled entities.

11 Non-current assets - Other financial assets at fair value

	2007 US$M	2006 US$M
Shares in related parties - at fair value (a)	**1,062**	-

(a) Of the BHP Billiton Plc shares purchased by BHP Billiton, 67,285,000 and 34,400,000 shares were cancelled on 18 January 2007 and 23 April 2007 respectively at a total value of US$1,906 million (see note 4). As at 30 June 2007, BHP Billiton held 38,436,714 shares in BHP Billiton Plc at a fair value of US$ 1,062 million. Subsequent to the year end, these shares were cancelled on 5 July 2007 (19,650,000 shares) and 23 August 2007 (18,786,714 shares) at a total value of US$1,062 million.

For cash flow purposes the purchase of shares represents a financing activity relating to the financing of BHP Billiton Plc.

12 Non-current assets - Property, plant and equipment

	Land and buildings US$M	**Total US$M**
30 June 2006		
Cost	1	1
Accumulated depreciation	-	-
Net book amount	1	1

	Land and buildings US$M	**Total US$M**
30 June 2007		
Cost	1	1
Accumulated depreciation	-	-
Net book amount	1	1

13 Non-current assets - Deferred tax

	2007 US$M	2006 US$M
Deferred tax assets	**210**	132
Movements:		
Opening balance at 1 July	**132**	141
Income tax taken to profit (note 1)	**52**	(4)
Income tax taken to equity (note 5)	**26**	(2)
Exchange differences	**-**	(3)
Closing balance at 30 June	**210**	132

Timing differences during the financial year is set out below:

	Deferred tax asset 2007 US$M	Deferred tax asset 2006 US$M	Charge to income statement 2007 US$M	Charge to income statement 2006 US$M
Employee entitlements	70	83	**(39)**	10
Restoration and rehabilitation	65	14	**51**	(3)
Foreign exchange	6	-	**6**	-
Depreciation	(2)	-	**(2)**	-
Other provisions	71	35	**36**	(11)
Total	**210**	132	**52**	(4)

Tax losses

At 30 June 2007, BHP Billiton has capital tax losses with a tax benefit of US$182 million (2006: US$232 million) that have an unlimited expiry period.

The gross amounts of capital tax losses that have been included with deferred tax assets and liabilities are US$27 million (2006: US$nil).

Charge to equity

This represents the deferred tax on BHP Billiton employee share award entitlements which are yet to be exercised

Australian franking credits

For further information, please refer to note 10 of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

14 Current liabilities - Trade and other payables

	2007 US$M	2006 US$M
Trade payables	**10**	13
Payable to related entities - other	**18,814**	13,703
Other payables	**68**	33
Payable to controlled entities - income tax	**1,030**	670
	19,922	14,419

15 Current liabilities - Interest bearing liabilities

	2007 US$M	2006 US$M
Bank overdrafts - unsecured (see note 35)	**1**	1

16 Current liabilities - Provisions

	2007 US$M	2006 US$M
Employee benefits	**134**	119
Restructuring	**3**	3
Restoration and rehabilitation	**59**	5
Other provisions	**29**	20
	225	147

Movements in current provisions

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

	Employee benefits US$M	**Restructuring US$M**	**Restoration and rehabilitation US$M**	**Other US$M**	**Total US$M**
Carrying amount at 1 July 2006	119	3	5	20	147
Charge to profit	42	2	54	6	104
Utilisation	(43)	(1)	-	-	(44)
Exchange differences	16	(1)	-	3	18
Carrying amount at 30 June 2007	134	3	59	29	225

17 Current liabilities - Current tax liabilities

	2007 US$M	2006 US$M
Provision for taxation	**1,019**	1,039

18 Non-current liabilities - Interest bearing liabilities

	2007 US$M	2006 US$M
Loan from related entities - unsecured	**2,222**	2,333

19 Non-current liabilities - Provisions

	2007 US$M	2006 US$M
Employee benefits	**12**	3
Post-retirement benefits	**13**	13
Restoration and rehabilitation	**158**	42
Other provisions	**-**	3
	183	61

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

	Employee benefits US$M	**Post-retirement benefits US$M**	**Restoration and rehabilitation US$M**	**Other US$M**	**Total US$M**
Carrying amount at 1 July 2006	3	13	42	3	61
Charge to profit	7	8	109	-	124
Utilisation	-	(3)	-	(3)	(6)
Exchange differences	2	2	7	-	11
Actuarial (gains)/losses	-	(7)	-	-	(7)
Carrying amount at 30 June 2007	12	13	158	-	183

Further details in respect of this Note are set out in Note 21 "Provisions" of the BHP Group Financial Statements for the year ended 30 June 2007.

20 Share capital

	2007 Shares	2006 Shares	**2007 US$M**	2006 US$M
Ordinary shares				
Fully paid	**3,357,503,573**	3,495,949,933	**932**	1,202
Partly paid to A$1.36	**195,000**	195,000	**-**	-
Special voting share of no par value	**1**	1	**-**	-
	3,357,698,574	3,496,144,934	**932**	1,202

Further details in respect of this Note are set out in Note 23 "Share capital" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

21 Reserves

	2007 US$M	2006 US$M
Reserves		
Financial asset reserve	**130**	-
Asset revaluation reserve	**31**	31
General reserve	**338**	338
Employee share awards reserve	**228**	171
	727	540

	2007 US$M	2006 US$M
Financial asset reserve		
Balance 1 July	**-**	-
Revaluation of shares in related parties (see note 11)	**235**	-
Cancellation of shares in BHP Billiton Plc (see note 4)	**(105)**	-
Balance 30 June	**130**	-

	2007 US$M	2006 US$M
Employee share awards reserve		
Balance 1 July	**171**	119
Accrued employee entitlement for unvested awards	**51**	41
Deferred tax benefit arising on accrued employee entitlement for unexercised awards	**37**	28
Employee share awards exercised following vesting	**(31)**	(17)
Balance 30 June	**228**	171

Nature and purpose of reserves

Financial asset reserve
The financial asset reserve is used to record increments in assets available for sale.

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

General reserve
The general reserve relates to accumulated transfers from other reserves.

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

22 Retained earnings

	2007 US$M	2006 US$M
Retained earnings at 1 July	**10,970**	8,898
Profit for the year	**951**	4,796
Dividends paid (see note 23)	**(1,346)**	(1,148)
Actuarial gains on defined benefit plans recognised directly in retained earnings	**7**	1
Share buy-back	**(2,559)**	(1,475)
Employee share awards exercised following vesting	**(63)**	(102)
Retained earnings at 30 June	**7,960**	10,970

23 Dividends

	2007 US$M	2006 US$M
Dividends paid	**1,346**	1,148

Further details in respect of this Note are set out in Note 10 "Dividends" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

24 Remuneration of directors and executive officers

Details in respect of this Note are set out in Note 31 "Key management personnel" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

25 Retirement benefits of directors

Details in respect of this Note are set out in Note 31 "Key management personnel" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

26 Remuneration of auditors

The audit fee payable in respect of the audit of the BHP Billiton financial statements was a nominal amount. Details of fees for the Group as a whole are set out in Note 4 "Expenses" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

27 Contingent liabilities

	2007 US$M	2006 US$M
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from:		
Controlled entities - unsecured	**-**	-
Other unrelated parties	**-**	-
	-	-

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

Further details in respect of this Note are set out in Note 29 "Contingent liabilities" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

Financial year 2006 has been restated in line with the contingent liabilities disclosed in the BHP Billiton Group Financial Statements for that financial year.

28 Commitments

Operating lease commitments

	2007 US$M	2006 US$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**11**	22
Later than one year but not later than five years	**1**	17
	12	39

Operating leases are entered into as a means of acquiring access to property, plant and equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. Certain leases contain extension and renewal options.

29 Pensions and other post-retirement obligations

BHP Billiton Superannuation plan

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

The year ended 30 June 2005 was the first year end balance sheet date at which BHP Billiton prepared disclosures under AASB 119. Comparative figures are therefore only available from that date.

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

The amounts recognised in the balance sheet are determined as follows:

	2007 US$M	2006 US$M
Present value of funded defined benefit obligation	**351**	357
Present value of unfunded defined benefit obligation	**5**	-
Fair value of defined benefit scheme assets	**(339)**	(333)
Deficit	**17**	24
Adjustment for employer contribution tax	**2**	4
Net liability recognised in the balance sheet	**19**	28
Amounts in the balance sheet		
Liabilities	**19**	28
Net liability recognised in the balance sheet	**19**	28

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

The amounts recognised in the income statement are as follows:

	2007 US$M	2006 US$M
Total expense recognised in the income statement		
Current service cost	**24**	23
Interest cost	**18**	14
Expected return on scheme assets	**(21)**	(25)
Increase in adjustment for employer contribution tax	**-**	(1)
Balance at the end of the year	**21**	11

29 Pensions and other post-retirement obligations (continued)

The amounts recognised in the SORIE are as follows:	**2007 US$M**	2006 US$M
Actuarial gains/losses (a)	**(19)**	(9)
Total amounts recognised in SORIE	**(19)**	(9)
Total cumulative amount to the balance sheet date of actuarial gains recognised in SORIE (b)	**(40)**	(21)

(a) Actuarial gains are net of adjustments for employer contribution tax of US$2 million (2006: US$4 million)
(b) Cumulative amounts are calculated from the transition to IFRS on 1 July 2004.

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

Actual return on assets	**30**	34

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

Defined benefit obligations at beginning of year	**357**	355
Current service cost	**24**	23
Interest cost	**18**	14
Contributions by scheme participants	**2**	7
Actuarial (gains)/losses on benefit obligation	**(10)**	2
Benefits paid to participants	**(45)**	(33)
Expense payments	**(8)**	-
Other	**(29)**	-
Currency exchange (gains)/losses	**49**	(11)
Defined benefit obligation at end of year	**358**	357

The changes in the scheme assets are as follows:

Fair value of scheme assets at beginning of year	**333**	316
Expected return on scheme assets	**21**	25
Actuarial (gains)/losses on scheme assets	**9**	9
Expenses paid from assets	**(8)**	-
Employer contributions	**19**	19
Contributions by scheme participants	**2**	7
Benefits paid	**(45)**	(33)
Other	**(37)**	-
Currency exchange gains/(losses)	**45**	(10)
Fair value of scheme assets at end of year	**339**	333

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

Bonds	**196**	183
Equities	**115**	127
Property	**14**	21
Other	**14**	2
Total	**339**	333

Scheme assets classified as 'Other' as at 30 June 2007 primarily comprise of investments in hedge funds and private equity.

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

29 Pensions and other post-retirement obligations (continued)

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

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

	2007	2006
Discount rate	**6.3%**	4.9%
Future salary increases	**4.9%**	4.0%
Expected rate of return on scheme assets	**6.0%**	6.0%

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

Historic summary:

	2007 US$M	2006 US$M	2005 US$M
Present value of defined benefit obligation	**358**	357	355
Fair value of defined benefit scheme assets	**(339)**	(333)	(316)
Deficit in the scheme	**19**	24	39
Experience adjustments to scheme liabilities	**5**	(15)	(2)
Experience adjustments to scheme assets	**(9)**	9	29

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

Estimated employer contribution for the defined benefit pension scheme are as follows;

	2008 US$M
Estimated employer contributions	19
Estimated contributions by scheme participants	2

30 Related party transactions

(a) Key management personnel disclosures

Disclosures related to Key management personnel disclosures are set out in Note 31 "Key management personnel disclosures" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

(b) Controlled and related entities

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

Note 2: Revenue from operating activities

Note 3: Expenses

Note 7: Trade and other receivables

Note 10: Other financial assets

Note 14: Trade and other payables

Note 18: Interest bearing liabilities

Note 27: Contingent liabilities

Further disclosures related to controlled entities are set out in Note 37 "Subsidiaries" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

(c) BHP Billiton Plc

On 29 June 2001, BHP Billiton (previously known as BHP Limited), an Australian listed Company, and BHP Billiton Plc (previously known as Billiton Plc), a UK Listed Company, entered into a Dual Listed Companies (DLC) merger. For an explanation of the DLC arrangements, refer to "Dual Listed Companies structure and basis of preparation of financial statements" in Note 1 of the BHP Billiton Financial Statements for the year ended 30 June 2007.

31 Employee share ownership plans

Details in respect of this Note are set out in Note 27 "Employee share ownership plans" of the BHP Billiton Group Financial Statements for the year ended 30 June 2007.

32 Subsequent events

No matter or circumstance has arisen since the end of the financial year, other than referred to in note 11, have significantly affected or may affect the operations, the results of operations or the state of affairs of the Company.

33 Notes to the cash flow statement

	2007 US$M	2006 US$M
Reconciliation of net cash provided by operating activities to net profit after tax		
Profit after taxation	**951**	4,796
Adjustment for:		
Net foreign exchange (gains)/losses	**371**	14
Loss on cancellation of BHP Billiton Plc shares	**1,906**	-
Employee share award accrual	**51**	41
Change in operating assets and liabilities		
Decrease in sundry and other receivables	**5**	-
(Increase)/decrease in prepayments and deferred charges	**2**	1
Increase/(decrease) in deferred taxes	**(406)**	(164)
Increase/(decrease) in trade payables	**246**	10
Increase/(decrease) in sundry other payables	**(16)**	(52)
Decrease in provision for income taxes payable	**(1,913)**	(1,046)
Increase in other provisions and liabilities	**203**	13
Net cash (outflow) inflow from operating activities	**1,400**	3,613

34 Non-cash financing and investing activities

	2007 US$M	2006 US$M
Employee share plan loan instalments	**3**	2

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

35 Financing facilities

	2007 US$M	2006 US$M
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used (see note 15)	**1**	1
Amount unused	**7**	7
Total facility available	**8**	8

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

In accordance with a resolution of the Directors of BHP Billiton Limited, the Directors declare that:

(a) the financial statements and notes set out on pages 2 to 30 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards in Australia; and

  (ii) giving a true and fair view of the financial position of BHP Billiton Limited as at 30 June 2007 and of its performance for the financial year ended on that date; and

(b) In the Directors' opinion there are reasonable grounds to believe that BHP Billiton Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the Board of Directors.

D R Argus

Director

C W Goodyear

Director

Dated the 6 September 2007

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

To: the directors of BHP Billiton Limited

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Peter Nash
Partner

Melbourne

6 September 2007

KPMG

Independent auditor's report to the members of BHP Billiton Limited

Report on the financial report

We have audited the accompanying financial report of BHP Billiton Limited (the "Company"), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 35 and the Directors' declaration set out on pages 2 to 31.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and its performance.

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

Auditor's opinion

In our opinion:

(a) the financial report of BHP Billiton Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2007 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KPMG

Peter Nash
Partner

Melbourne

6 September 2007