BHP BILLITON PLC
Form 20-F/A
November 10, 2005
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 20-F/A

Amendment No. 1

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED 30 JUNE 2005

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number: 001-09526	**Commission file number: 001-31714**
BHP BILLITON LIMITED	**BHP BILLITON PLC**
(ABN 49 004 028 077)	**(REG. NO. 3196209)**
(Exact name of Registrant as specified in its charter)	**(Exact name of Registrant as specified in its charter)**
VICTORIA, AUSTRALIA	**ENGLAND AND WALES**
(Jurisdiction of incorporation or organisation)	**(Jurisdiction of incorporation or organisation)**
180 LONSDALE STREET, MELBOURNE,	**NEATHOUSE PLACE, VICTORIA, LONDON,**
VICTORIA 3000 AUSTRALIA	**UNITED KINGDOM**
(Address of principal executive offices)	**(Address of principal executive offices)**

Securities registered or to be registered

pursuant to section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**	**Title of each class**	**Name of each exchange on which registered**
American Depositary Shares*	New York Stock Exchange	American Depositary Shares*	New York Stock Exchange
Ordinary Shares**	New York Stock Exchange	Ordinary Shares, nominal value US$0.50 each**	New York Stock Exchange

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* Evidenced by American Depositary Receipts. Each American Depositary Receipt represents two ordinary shares of BHP Billiton Limited or BHP Billiton Plc, as the case may be.

** Not for trading, but only in connection with the listing of the applicable American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

	BHP Billiton Limited	**BHP Billiton Plc**
Fully Paid Ordinary Shares	3,587,977,615	2,468,147,002

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

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EXPLANATORY NOTE

BHP Billiton Limited and BHP Billiton Plc are filing this Amendment No. 1 on Form 20-F/A to their Annual Report on Form 20-F for the fiscal year ended 30 June 2005, which was originally filed with the Securities and Exchange Commission on 3 October 2005, to amend Items 5, 11 and 18, each of which is amended by replacing such Item in its entirety. Item 5 is amended to provide additional detail regarding the calculation of turnover derived from base metal sales agreements that provide for provisional pricing at the time of shipment. Item 11 is amended to clarify the cross references to information contained in Item 5 and Note 29 to the BHP Billiton Group Annual Financial Statements. Item 18 is amended to:

- correct the reference to the date on which KPMG Audit Plc signed the audit report contained therein;
- provide additional detail under the headings Accounting Policies Turnover and US Generally Accepted Accounting Principles disclosures to describe the calculation of turnover derived from certain sales agreements that provide for provisional pricing at the time of shipment; and
- correct a rounding error in the amount stated as earnings per share (basic) (US cents) in the Consolidated Profit and Loss Account for the year ended 30 June 2005.

This Amendment does not reflect events that have occurred after the 3 October 2005 filing date of the Annual Report on Form 20-F, or modify or update the disclosures presented in the original Form 20-F, except to reflect the amendments described above.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

This Operating and Financial Review and Prospects section is intended to convey management s perspective of the BHP Billiton Group and its operational and financial performance. We intend this disclosure to assist readers to understand and interpret the BHP Billiton Group Annual Financial Statements included in this report. This section should be read in conjunction with those financial statements, together with the accompanying notes.

This Operating and Financial Review and Prospects section is divided into the following parts:

Our Business a general description of our business; the main drivers of value; the economic factors affecting our business; the key measurements we use to assess our performance; and the trends and uncertainties we have identified that significantly affect our business.

Application of Critical Accounting Policies and Estimates a discussion of our accounting policies that require critical judgements and estimates.

Results of Operations an analysis of consolidated results of operations of the BHP Billiton Group for the three years presented in our financial statements.

Liquidity and Capital Resources an analysis of cash flows and sources and uses of cash.

Off-Balance Sheet Arrangements an analysis of financial arrangements that are not reflected on our balance sheet.

Tabular Disclosure of Contractual Obligations an analysis of our debts and contractual obligations.

Our Business

DLC Structure and Basis of Presentation

The BHP Billiton Group combines BHP Billiton Limited and BHP Billiton Plc in a dual listed companies (DLC) structure. BHP Billiton Limited and BHP Billiton Plc remain separate publicly listed companies, but are run by a unified Board and management team. Through a series of contractual and constitutional arrangements, shares in each company effectively represent equivalent interests in a single group combining the assets and liabilities of both companies, carrying equal voting rights per share and receiving equal dividends.

BHP Billiton Limited and BHP Billiton Plc each reports, as its primary financial statements under the requirements of the US Securities and Exchange Commission (SEC), the BHP Billiton Group s consolidated financial statements prepared in accordance with generally accepted accounting principles in the United Kingdom and presented in US dollars. These consolidated financial statements account for the DLC structure on a pooling-of-interests basis as though the two companies had been operating as a single enterprise on a historical basis.

Description of the BHP Billiton Group

The BHP Billiton Group is the world s largest diversified resources group by market capitalisation, turnover and profit. We had a combined market capitalisation of approximately US$82 billion as of 30 June 2005 and we generated combined turnover and attributable profit (including exceptional items) of US$31.8 billion and US$6.4 billion, respectively, for the year ended 30 June 2005. We generate most of our turnover, profit and cash flows by discovering or acquiring mineral resources, extracting them through mining, drilling and processing operations, and selling them to our customers. We divide our business into seven business units, or Customer Sector Groups (CSGs):

- Petroleum, which produces crude oil, natural gas and liquefied natural gas;
- Aluminium, which produces aluminium and alumina;
- Base Metals, which produces copper, silver, zinc, lead and, since the acquisition of WMC in June 2005, uranium;

- Carbon Steel Materials, which does not produce carbon steel, but produces the metallurgical coal, iron ore and manganese used in the production of carbon steel;

- Diamonds and Specialty Products, which encompasses our diamonds and titanium minerals businesses, minerals exploration and technology and, since the acquisition of WMC in June 2005, our fertilisers business;

- Energy Coal, which produces energy coal for use in electricity generation; and

- Stainless Steel Materials, which does not produce stainless steel, but produces the nickel metal, and nickel ferroalloys and chrome (until May 2005) used in the production of stainless steel.

We generally produce products in the southern hemisphere and sell into the northern hemisphere. Our major production operations are in Australia, Latin America and Southern Africa. Our sales are geographically diversified. About a third of our turnover is generated in Asia (in particular, China, South Korea and Japan), about a third in Europe and the balance in the rest of the world, mainly Australia, North America and Southern Africa. We also sell product sourced from third party producers. In 2004-2005, third party product represented approximately 21.8% of our turnover but only 1.2% of our profit before interest and taxation.

Key Value Drivers of Our Business

Our strategy is based around discovering or acquiring and developing large, low-cost, high reserve assets to produce stable cash flows that support an ongoing programme of exploration and development of new assets, as well as providing consistent returns to shareholders. In executing this strategy, we focus on seven key drivers of value:

- Outstanding assets   our strategy is built around consistently focusing on maximising the operating performance of our large, low-cost, high-reserve assets (which we call our tier 1 assets) by reducing costs and improving efficiencies within our businesses to produce good margins and consistent cash flows, while minimising environmental damage and achieving high levels of safety.

- Growth from deep inventory of projects   we aim to use our strong cash flows to invest in our pipeline of development projects, which we expect to provide growth in our business in future years. Our execution of this strategy depends largely on the success of our project management skills, which are reflected in measures such as adherence to budgets and schedules in commissioning new projects.

- Customer-centric marketing   we have focused our marketing activities on better understanding and meeting the needs of our customers, improving our market share and customer base by developing close relationships with our key customers, improving our ability to anticipate demand, and understanding and reducing our operational and logistical risk, all of which assists us to sell more product at higher margins.

- The portfolio effect   by operating a portfolio of assets that are diversified across product segments and geographical regions, we benefit from a number of natural hedges that have historically resulted in relatively stable cash flows despite significant recent world events, and volatility in commodity and currency markets over time.

The Petroleum CSG our Petroleum CSG aims to drive value through meeting the growing demand for energy. The current goal of the Petroleum CSG is to increase production profitably through the commissioning of new projects, while at the same time maintaining or increasing our oil and gas reserves at low discovery costs.

Innovation we strive for innovation across our operations, including developing and applying new mining and exploration technologies, such as the FALCON™ airborne gravity gradiometer, improved mining and production processes, such as our patented bio-leaching technology to extract copper from low-grade sulphide ores, and leading business practices. Innovative technology allows us to decrease production costs.

Employees we devote considerable effort towards securing the right people and getting the best out of them in four key ways:

- Organisation effectiveness, which means effectively aligning our organisational structure with our goals and operations;

- Resourcing, in particular, ensuring that we have the right people in the right roles;

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Succession planning and development; and

Performance management, in particular our management review and incentive programmes.

Key Measures

We use a number of measures to assess how well we have performed in the areas we have identified as key drivers. The key financial measure of our overall strategy is the amount of attributable profit after tax that we earn over time. In 2004-2005, attributable profit after tax (including exceptional items) was approximately US$6.4 billion, an increase of US$3 billion, or 89.3%, from 2003-2004. The following measures assist us to track various aspects of the business that contribute to the overall result:

Health, safety, environment and community The principal measure of our health and safety performance is our Classified Injury Frequency Rate , which is the number of classified injuries per million work-hours. Classified injury is defined as any workplace injury that has resulted in the person not returning to their unrestricted normal duties after the day on which the injury was received. Our performance in health and safety during 2004-2005 was mixed, the principal negative being three fatalities. This compares to seventeen in 2003-2004. On a positive note, there was a 21% reduction in our Classified Injury Frequency Rate to 3.9 and a 23% reduction in work related illnesses compared to 2003-2004. In relation to our effect on the environment, our disposal of hazardous waste increased by 15% in 2004-2005 due to several closed sites undergoing demolition and clean up. Community donations (on a three-year rolling average) totalled 1% of pre-tax profits which equals our target level. Although this percentage has decreased from 1.3% in 2003-2004, the actual value of these donations has increased significantly due to the increased profits.

Growth projects We substantially completed eight major projects (major being over US$100 million our share) during 2004-2005 with forecast final capital expenditure totalling US$1,786 million, against total approved capital expenditure of US$1,762 million, a 1.4% increase from the overall approved amount. Additionally, we approved four further major projects during the period with total approved capital expenditure of US$2,029 million. Another six major projects are under development with approved capital expenditure as at 30 June 2005 of US$3,410 million. Of the 10 projects that are under construction, eight are within approved expenditure limits and all are tracking on or ahead of schedule. The exceptions are the Ravensthorpe nickel development and the Yabulu extension project. In September 2005, we revised the forecast costs of these projects upwards by US$290 million and US$110 million respectively due to the strengthening of the Australian dollar, increases in contractor margins due to a shortage of engineering skills and other services, and the increased cost of raw materials.

Operational efficiency In order to assess whether we are operating our assets efficiently across the Group, we look primarily at profit before interest and taxation. Profit before interest and taxation is a good measure of the performance of particular CSGs because substantial components of our tax and interest charges are levied at a Group, rather than CSG, level. We continue to pursue a number of operational efficiency projects at our operations, which we call our Operational Excellence initiatives. Operational Excellence is our preferred business improvement methodology, the programme broadly covers two areas:

Six Sigma an improvement methodology that equips employees with the skills, tools and behaviours to bring about improvement. The improvements include all areas of the business, with particular focus on production, de-bottlenecking and incremental cost improvements; and

Networks a way of people connecting across the organisation to communicate, share knowledge and help each other solve problems.

Stable cash flow If we are successful in diversifying our portfolio of assets across commodities and geographical regions, we would expect that, although results in individual CSGs may be volatile, our aggregate cash flows across the Group will be relatively stable. In this respect, our available cash flow (net operating cash flow after paying tax and interest, but before capital expenditure, acquisitions or dividends) was US$8.7 billion in 2004-2005, compared to US$5.1 billion in 2003-2004. However, we have seen a synchronised upward movement in commodity prices driven largely by Chinese demand which has introduced increased volatility in our commodity portfolio and therefore cash flows. The upward synchronisation of prices, while currently a positive impact, raises the potential of downward synchronisation in the event of China growth stalling.

Liquidity and capital management We monitor our overall net debt level both in absolute terms and as a percentage of our net debt plus net assets, which we refer to as our gearing level. At 30 June 2005, our net debt was US$9.7 billion, and our gearing level was 35.7%. Assuming all else were equal, a higher gearing level would result in a higher return on equity, but increase the risk that we would be unable to meet our debt obligations. We also monitor our ability to meet our interest payment obligations from our profit before depreciation, amortisation, interest and tax, which we term our interest cover ratio. For this purpose, we use net interest, which includes capitalised interest and excludes the effect of discounting on provisions and other liabilities, and exchange differences arising from net debt. For 2004-2005, we had an interest cover ratio of 34.7 times, compared to 21.1 times for 2003-2004. Our ratio of earnings to fixed charges, which is calculated on earnings after depreciation and amortisation, was 18.5 compared to 10.9 in 2003-2004.

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Petroleum reserves   Proved reserves booked during 2004-2005 totalled 141 million barrels of oil equivalent giving a reserves replacement ratio of 118%, compared to 48 million barrels of oil equivalent giving a reserves replacement ratio of 39% in 2003-2004.

External Factors Affecting Our Results

The following section describes some of the external factors that have a material impact on our financial condition and results of operations. We manage the risks discussed in this section under our portfolio management approach, which relies on the effects of diversification, rather than individual price risk management programmes. You should refer to note 29   Financial instruments   in the 2005 BHP Billiton Group Annual Financial Statements for details of our hedge transactions outstanding at 30 June 2005.

Commodity prices

The prices we obtain for our commodities are determined by, or linked to, prices in world commodity markets which have historically been subject to substantial variations because of fluctuations in supply and demand, particularly in the petroleum industry and certain sectors of the minerals industry. We expect that volatility in prices for most of our commodities will continue for the foreseeable future. This volatility has an impact on our revenues and profits from period to period.

Our main commodities are aluminium, alumina, copper, iron ore, nickel, ferroalloys, metallurgical and energy coal, oil, gas and liquefied petroleum gas. Metals such as aluminium and copper are generally sold under contract, often long-term, at prices determined by reference to prevailing market prices on terminal markets, such as the London Metals Exchange, usually at the time of delivery. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply.

Aluminium - The aluminium market strengthened considerably in 2004-2005 compared to 2003-2004. Chinese demand remained strong and demand increased in Japan and Europe in the first half of 2004-2005. The second half of 2004-2005 was dominated by oversupply in Asia, growing concern over the US economy and lacklustre economic data from Europe.

Alumina - The alumina market throughout 2004-2005 was influenced by demand from the Chinese market. During 2004-2005, the market largely recovered from the lower levels experienced during the first half of calendar year 2004. Price levels reached US$420-430 per tonne inclusive of freight in the first half of 2004-2005 and remained relatively stable around this point for the remainder of the fiscal year. Apart from strong Chinese demand, the market price level was also supported by purchase interest from the Middle East, Indonesia, India and Russia.

Copper - Copper prices appreciated significantly in 2004-2005 over 2003-2004. Strong world industrial production growth meant increased demand with stocks falling as consumption outstripped supply. Another strong factor has been the softening of the US dollar. With global production growth slowing and supply increasing, prices may stabilise. However, with stock levels low and Chinese demand growth still relatively strong, prices are expected to remain well above their long term average over the next twelve months.

Nickel - Historically, nickel prices have been more volatile than those of most other metals. During the 1990s the nickel price weakened from the collapse of nickel consumption in the former Soviet Union and the redirection of its production to world markets. This excess production has been fully absorbed and world nickel producers are operating close to full capacity. As no significant increase in capacity is expected in the market over the next eighteen months, the nickel price is expected to show strength but also volatility.

Coal - Short-term, metallurgical coal demand is expected to remain positive although there were indicators at the end of 2004-2005 that demand may be slowing. Demand for energy coal continues to grow in absolute terms as world demand for electricity fuel increases, with prices fluctuating in the short term based on supply-demand fundamentals but continuing to be consistently below oil and gas prices on an energy equivalent basis.

Iron Ore With respect to iron ore, there was strong growth in 2004-2005 over 2003-2004 due to ongoing high demand from China and sustained Japanese demand on the back of strong steel production. Despite pessimism in the global steel outlook, global steel production continued to pick up pace during 2004-2005. China continues to be the driver for the world iron ore demand due to its increasing steel production. Despite this, there is some concern that domestic Chinese consumption is lagging. The underlying dynamic is driven by the Chinese government s desire to cool both the demand and supply of the domestic steel industry, and regulate demand to a lower but more sustainable level.

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Oil and Gas - Oil and gas prices are dominated by global supply and demand conditions, linked to industrial production and political factors with the Organisation of Petroleum Exporting Countries (OPEC). Uncertainty of supply resulting from continuing tensions in the Middle East continued to unsettle the market over 2004-2005, with the oil price reaching an all time high in mid June 2005. On the demand side, a warmer than expected North American winter coupled with a stabilisation / growth of US reserve stocks, were somewhat offset by a colder than anticipated North Asian winter combined with continued increased consumption in China.

The prices of several of our main commodities, including our oil and gas prices, may also be affected by changes in economic and political conditions around the world as a result of acts of terrorism, hostilities or war.

Exchange rates

We are exposed to exchange rate transaction risk on foreign currency sales and purchases. For example, our products are predominantly priced in US dollars. As a result, fluctuations in the Australian dollar or South African rand, which account for a substantial portion of our operating expenses, relative to the US dollar could have a material impact (positive or negative) on our financial condition and results of operations.

We are also exposed to exchange rate translation risk in relation to our foreign currency denominated monetary assets and liabilities, including debt and other long-term liabilities (other than site restoration provisions at operating sites). Exchange rate movements negatively impacted our profit before interest and taxation in 2004-2005 by US$465 million compared to 2003-2004, including US$40 million relating to net monetary liabilities.

Our losses on restatement of all non-US dollar net monetary liabilities, including debt and tax liabilities, were US$40 million, US$278 million and US$380 million in the years ended 30 June 2005, 2004 and 2003, respectively. Our legacy foreign currency hedges in effect prior to the merger of BHP Limited and Billiton Plc expired during the 2003-2004 financial year. Our gains and losses on these hedges amounted to gains of US$39 million and losses of US$86 million in the years ended 30 June 2004 and 2003, respectively.

The following table indicates the estimated approximate impact on 2004-2005 net profit after tax of changes in exchange rates which resulted in the restatement of Australian dollar or South African rand debt and net monetary liabilities. (All other factors remain constant in this calculation and only exchange rates have been amended as part of this analysis):

Estimated approximate impact on 2004-2005 net profit after tax of changes of:	**US$ Million**
Australian dollar (USc1/A$)	
Net monetary liabilities [1]	15
South African rand (0.2 Rand/US$)	
Net monetary liabilities [1]	30
Rand debt	3

[1] Impact based on difference in opening and closing exchange rates for the period.

Interest rates

We are exposed to interest rate risk on our outstanding borrowings and investments. Our policy on interest rate exposure is for interest on our borrowings to be on a US$ floating interest rate basis. Deviation from our policy requires the prior approval of our Financial Risk Management Committee and is managed within our Cash Flow at Risk limit. When required under this strategy, we use interest rate swaps, including cross currency interest rate swaps, to convert a fixed rate exposure to a floating rate exposure or vice versa. As at 30 June 2005, we have US$2.9 billion of fixed interest borrowings that have not been swapped to floating rates, arising principally from legacy positions which were in existence prior to the merger creating the DLC structure and US$700 million from the acquisition of WMC.

Trends and Uncertainties

We operate our business in a dynamic and changing environment, and with information that is rarely complete and exact. In this section, we discuss the most important areas where management sees trends occurring that may materially affect our future financial condition and results of operations, risks that could have a material adverse effect on our business and areas where we make decisions on the basis of information that is incomplete or uncertain.

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Commodity price, currency exchange rate and interest rate volatility   Our business is exposed to the volatility of each of these market-based variables. Our current position and approach for each of these is outlined above under   External Factors Affecting Our Results   .

Operating costs and capital expenditures   While higher commodity prices over the past few years have increased our turnover, they have also resulted in higher costs for many of our inputs. In addition, the strong demand for commodities has resulted in higher levels of exploration and development activity in the mining industry, particularly in Australia. The resulting demand for resources such as steel and skilled labour has pushed our costs higher. Some of the higher costs have resulted from our efforts to increase short-term production to take advantage of the current high price environment. Our challenge is to ensure that these higher costs do not become a permanent structural change to our cost base. We are also observing higher than expected costs on our Ravensthorpe and Yabulu extension projects, and in September 2005, revised the forecast costs on these projects accordingly.

Growth in product demand   Global economic growth rates have slowed from the exceptionally high levels seen in 2004. In the United States, growth rates continue above the long-term trend, but we expect higher interest rates and higher energy prices to keep growth rates below 2004   s level. Elsewhere, leading indicators point to a slowing in Japan after a stronger than anticipated first half of 2005, whilst the growth environment in Europe generally remains challenging. However, the emerging economies do remain buoyant, offsetting slowing growth in the OECD nations. As a result, we continue to expect the global economy to experience an above trend growth rate in 2005-2006, thereby providing a sound underpinning for commodity demand. We have not altered our view that China will remain a large and sustainable consumer of raw materials and resources over the coming decades and the Chinese government   s recently announced measures to tackle the excessive growth rates in certain sectors of their economy are to be welcomed. Having said this, we also believe that developing economies, like all economies, will be subject to business cycles which will impact economic activity from time to time.

Exploration and development of resources   Because most of our revenues and profits are related to our oil and gas and minerals operations, our results and financial condition are directly related to the success of our exploration efforts and our ability to replace existing reserves. However, there are no guarantees our exploration programme will be successful. When we identify an economic deposit there are often significant challenges and hurdles entailed in its development, such as negotiating rights to extract ore with governments and landowners, design and construction of required infrastructure, utilisation of new technologies in processing and building customer support.

Health, safety and environment   Central to our business is a commitment to health, safety, environmental responsibility and sustainable development. Our aims are to achieve zero harm in our health and safety performance, to embed a systematic approach to environmental risk management and to increase our engagement with host communities. Quite often these aims will lead to the implementation of standards that exceed applicable legal and regulatory requirements. Apart from our belief that applying best industry practice in health, safety and environment management is part of being a good corporate citizen, we believe establishing a track record of minimising health, safety and environmental impacts leads to higher levels of trust in the communities in which we operate, and among the governments that regulate us and the organisations that monitor our conduct.

Given the nature of our operations, there remains a risk that, despite our best efforts, health, safety or environmental incidents may occur that could result in fines or remediation expenditures and damage our reputation, making it harder for us to do business in the future. Our activities are also highly regulated by health, safety and environmental laws in a number of jurisdictions. While we believe we are currently operating in accordance with these laws, as regulatory standards and expectations are constantly developing and generally becoming more onerous, we may be exposed to increased litigation, compliance costs and unforeseen environmental remediation expenses.

Three examples of material uncertainties identified by management as key risks to our business are: the regulation of greenhouse gas emissions and potential reductions in fossil fuel consumption per capita and general consumption associated with such regulation; the impact upon workers in our South African business of the high HIV/AIDS infection rate; and compliance with European regulations requiring proof that mineral resources can be used without affecting health or the environment.

WMC Acquisition - In March 2005, we announced a cash offer for WMC Resources Ltd (WMC), an Australian-based resource company. As of 30 June 2005 we owned approximately 93% of WMC, with payment for 100% ownership completed on 2 August 2005 at a total acquisition cost of US$7.2 billion funded by cash on hand, short-term borrowings and borrowings of US$ 3 billion under our acquisition finance facility. Our results for 2004-2005 include the results of WMC for the month of June 2005.

This transaction provides the ability to build on our existing nickel and copper businesses, as well as introducing uranium to our suite of energy products. In addition to providing immediate production to service global customers, the acquisition provides significant growth opportunities. The transaction is fully aligned with our strategy of developing, operating and maximising the performance of large, long life, low cost assets and provided a unique opportunity to acquire operational tier 1 assets in a stable, developed economy well positioned to service the growing demand for commodities in Asia.

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The planning process for the integration of the WMC assets into the BHP Billiton Group portfolio began in late 2004, and a dedicated integration team has been in place since our bid was announced in March 2005. This integration, critical to the early realisation of value, is proceeding to plan. Unfortunately, as a consequence, in excess of 400 permanent positions (including those filled via contractors) are expected to be eliminated. The one-off cost generated by this activity is expected to be US$95 million, and US$50 million of this amount was expensed in 2004-2005 as an exceptional item. We expect to achieve annual corporate cost efficiencies of approximately US$85 million.

The management of the former WMC assets has now been devolved to the Stainless Steel Materials, Base Metals, and Diamonds and Speciality Products CSGs, and the financial results of the assets are reported within these groups.

Application of Critical Accounting Policies and Estimates

The preparation of our consolidated 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 turnover and costs during the periods presented therein. On an ongoing basis, our management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, turnover and costs. Management bases its estimates and judgements on historical experience and on various other factors it believes 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 under different assumptions and conditions.

We have identified the following critical accounting polices under which we are required to make estimates and assumptions and where actual results may differ from these estimates under different assumptions and conditions and may materially affect our financial results or financial position reported in future periods.

Reserve estimates

The reserves we report in this annual report are our estimates of the amount of product that we can economically and legally extract from our properties. In order to calculate our reserves, we must make estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires us to determine the size, shape, and depth of orebodies or fields by analysing geological data such as drilling samples. This process may require us to make complex and difficult geological judgements and calculations in order to interpret the data.

Industry Guide 7, issued by the SEC, sets out the requirements in relation to reporting of mineral reserves in SEC filings. It requires us to base our economic assumptions on current economic conditions. With respect to the prices at which we assume that we will be able to sell our products, we use existing contract prices for commodities that we sell under long-term contracts, such as iron ore and coal, and the three-year historical average for commodities that are traded on the London Metals Exchange, such as copper and nickel. We are also required to report our ore reserves in our home jurisdictions, Australia and the UK, under the Australasian Code for reporting of Mineral Resources and Ore Reserves September 1999, known as the JORC Code. The JORC Code requires us to use reasonable investment assumptions to calculate our reserves, which may differ from assumptions based on current economic conditions. For example, if prices remain above long term historical averages for an extended period, our price assumptions for SEC purposes may reflect the higher prices, while our internal assumptions about future prices may result in us using lower prices to estimate reserves under JORC, and vice versa. Higher price assumptions generally result in higher estimates of reserves. For this reason, we sometimes report different reserves under Industry Guide 7 to those we report under the JORC Code.

We report our oil and gas reserves in this annual report, and also in our home jurisdictions, Australia and the UK, based on prices prevailing at the time of the estimates as required under Statement of Financial Accounting Standards No. 69 Disclosures about Oil and Gas Producing Activities , issued by the US Financial Accounting Standards Board.

Because the economic assumptions we use to estimate reserves change from period to period, and because we generate additional geological data as we undertake operations, our estimates of reserves may change from period to period. Changes in reported reserves may affect us in a number of ways, including the following:

Our asset carrying values may be affected due to changes in estimated future cash flows;

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Our depreciation, depletion and amortisation charged against the profit and loss account may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change;

Our deferred overburden removal costs recorded on the balance sheet or charged against the profit and loss account may change due to changes in stripping ratios or where such charges are determined by the units of production basis;

Our decommissioning, site restoration and environmental provisions may change where changes in our estimated reserves affect our expectations in respect of the timing or cost of these activities; or

Our provisions against deferred tax assets may change due to changes in our estimate of the likely recovery of the tax benefits.

Exploration, evaluation & development expenditure

We capitalise certain exploration, evaluation and development expenditure for UK GAAP where we consider it likely that we will be able to recover the expenditure by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This process necessarily requires our management to make certain estimates and assumptions as to future events and circumstances, in particular, whether we can establish an economically viable extraction operation. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written-off to the profit and loss account. An amount of US$479 million has been carried forward in net tangible fixed assets as capitalised exploration and evaluation expenditure at 30 June 2005. This primarily related to capitalised petroleum exploration and evaluation costs, mainly for activities in the Gulf of Mexico.

Tangible assets valuation

We review the carrying value of each income-generating unit at least annually to evaluate whether the carrying amount is recoverable. We may review an asset more regularly if an event or change in circumstances indicates that the carrying amount of the asset may not be recoverable. We determine if an asset is impaired by comparing its carrying value with the higher of its net realisable value and value in use. Net realisable value is our estimate of the amount at which an asset could be disposed of, less any direct selling costs. We generally determine value in use by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. We estimate future cash flows based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see Reserve estimates above), 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. In such circumstances, some or all of the carrying value of these assets may be impaired and we would charge the impairment against the profit and loss account.

Defined benefit pension costs and other post-retirement benefits

We operate or participate in a number of post-retirement schemes (including pensions and medical benefits plans) throughout the world. We believe the funding of the schemes complies with local regulations. The assets of the schemes, where applicable, are generally held separately from ours and are administered by trustees or management boards.

We use Statement of Standard Accounting Practice (SSAP) 24 Accounting for Pension Costs under UK GAAP to record our assets, liabilities and costs in our balance sheet and profit and loss account in respect of these schemes. This basis of measurement takes into account the performance of scheme assets, where applicable, and changes in the funded status of each scheme, to the extent that deficits represent a legal or constructive obligation to our employees and that surpluses are recoverable by us, over the expected remaining periods of service of our employees. We consequently recognise a liability or asset in the balance sheet to the extent that the contributions payable either lag or precede expense recognition.

The process necessarily requires management annually to make certain estimates and assumptions as to future returns on various classes of assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of our employees. In making these estimates and assumptions, management considers advice provided by external advisors, such as actuaries.

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An alternative policy acceptable under UK GAAP would be the application of Financial Reporting Standard (FRS) 17 Retirement Benefits . FRS 17 was issued by the Accounting Standards Board in the UK in November 2000, but is not mandatory. Under FRS 17, all surpluses would be recognised to the extent they are considered recoverable and all deficits would be recognised in full. For disclosures under the transitionary provisions of FRS 17, which is not mandatory, you should refer to note 27 Pensions and post-retirement medical benefits in the 2005 BHP Billiton Group Annual Financial Statements. If we had applied FRS 17 in preparing our financial statements for the year ended 30 June 2005, our shareholders funds would have been approximately US$550 million lower, mainly reflecting the impacts on our schemes of movements in global equity markets, and our profit after tax would have been approximately US$5 million higher.

Decommissioning, site restoration and environmental costs

Our activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, we have a policy of ensuring that reclamation is planned and financed from the early stages of any operation. We make provision for the cost of reclamation of our mining and processing facilities along with the decommissioning of our oil platforms and infrastructure associated with petroleum activities. Our estimation of the cost of future reclamation and decommissioning activities is subject to 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. While the provisions at 30 June 2005 represent our best estimate of the present value of the future costs required, these uncertainties might result in future actual expenditure differing from the amounts provided at this time.

At 30 June 2005, we had provided US$3,584 million for reclamation and decommissioning costs in the provision for site rehabilitation. Of this amount, US$1,109 million was provided for closed sites. Adjustments to the provisions in relation to these closed sites are recognised in the profit and loss account during the period in which the adjustments are made. In addition to the uncertainties noted above, certain of these activities are subject to legal disputes and depending on the ultimate resolution of these issues the final liability for these matters could vary. We review the amounts provided in relation to closed sites periodically based upon the facts and circumstances available at the time and our provisions are updated accordingly. Refer to Operating Results below for more information in relation to the exceptional charge in the 2004-2005 year of US$121 million for closed mining operations. We believe that it is reasonably possible that, due to the nature of the closed site liabilities and the degree of uncertainty which surrounds them, our liabilities in relation to closed sites could be in the order of 30% greater or in the order of 20% lower than the US$1,109 million we have provided at year-end.

Deferred taxation

We recognise deferred tax assets in our balance sheet only where it is more likely than not that they will be recovered. A proportion of our deferred tax assets recorded in our balance sheet relate to current or prior period tax losses and capital losses where management considers that it is more likely than not that we will recover the benefit of those tax losses and capital losses in future periods through the generation of sufficient future taxable profits. Our assumptions in relation to the generation of sufficient future taxable profits depend on our estimates of future cash flows, which are estimated based on production and sales plans, commodity prices, reserves, operating costs, reclamation costs and planned capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter the projections, which may impact the recoverability of the assets recorded on our balance sheet and those tax losses and timing differences not yet recognised. In such circumstances, some or all of the carrying value of these deferred tax assets may require provisioning and we would charge the expense to the profit and loss account, and conversely, some or all of the tax benefits relating to tax losses and timing differences not recognised may subsequently be recognised due to revised estimates of recoverability and we would credit the benefit to the profit and loss account.

At 30 June 2005, our deferred tax balances included US$964 million in relation to current or prior period tax losses and capital losses, and our deferred tax balances excluded US$609 million in relation to current or prior period tax losses and capital losses and US$668 million in relation to timing differences where management has concluded that it is more likely than not that we will not generate sufficient future relevant income to recover these losses and timing differences in future periods.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Group must comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Group s DLC structure results in two parent entities with their own statutory reporting obligations, one in Australia and the other in the UK.

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The BHP Billiton Group s 2004-2005 audited consolidated financial statements have been prepared in accordance with UK accounting standards and other UK financial reporting requirements (UK GAAP). There are a number of differences between UK GAAP and IFRS that we have identified as potentially having a significant effect on the Group s financial performance or financial position, with the main ones being:

- deferred taxation being recognised using the balance sheet liability method of tax-effect accounting rather than the income statement liability method applied under UK GAAP;

- equity-based compensation being measured based on the fair value of shares and options rather than their intrinsic value as recognised under UK GAAP;

- immediate recognition of the net asset or liability position of underlying defined benefit plans rather than the delayed recognition under UK GAAP;

- single-line equity accounting for our joint venture interests rather than gross equity accounting under UK GAAP. This will include our joint venture interests in Escondida, Mozal and Valesul which are accounted for by proportional consolidation under UK GAAP. Whilst proportional consolidation remains an option under IFRS, it has been eliminated as an option under IFRS as adopted in Australia. Australian IFRS mandates the use of single-line equity accounting for joint venture entities;

- goodwill previously classified as a reduction of retained earnings under UK GAAP will be reclassified as an asset on the balance sheet; and

- dividends declared after year end and recorded as a liability at year end under UK GAAP will be recognised as a liability under IFRS on the date declared.

The net impacts of these adjustments would have been to decrease attributable profit for the year ended 30 June 2005 by US$29 million and to decrease shareholders equity at that date by US$179 million. Full details are set out in note 35 Impact of Adopting Financial Reporting Standards to the financial statements included in the 2005 BHP Billiton Plc Annual Report to be furnished under Form 6-K.

The regulatory bodies that promulgate IFRS and its country-specific implementations have significant ongoing projects that could affect the ultimate differences between UK GAAP and IFRS and their impact on our financial statements in the first IFRS compliant reports for the year ending 30 June 2006 and in future years. Accordingly, significant uncertainty remains as to the likely impact of IFRS on the Group s financial statements.

A. Operating Results

Year ended 30 June 2005 compared with year ended 30 June 2004

The following discussion and analysis is based on the BHP Billiton Group s Annual Financial Statements and accompanying notes, which reflect the combined operations of the BHP Billiton Plc Group and the BHP Billiton Limited Group for the years ended 30 June 2005 and 30 June 2004 as prepared in conformity with UK GAAP, and should be read in conjunction therewith.

In this analysis, all references to 2004-2005 or the current period are to the year ended 30 June 2005 and all references to 2003-2004 or the prior year are to the year ended 30 June 2004.

Overview

Global economic conditions improved during the year ended 30 June 2005. As product demand and commodity prices both improved, we generated higher cash flows from operating activities, increased our profit after tax and our returns to shareholders, while still continuing our investment in value accretive growth projects.

Profit after taxation (before equity minority interests) for the year ended 30 June 2005 was US$6.6 billion compared with US$3.5 billion for the prior year. Excluding exceptional items and discontinued operations, profit after taxation (before equity minority interests) was US$6.7 billion compared with US$3.6 billion for the year ended 30 June 2004.

Turnover (including our share of joint ventures and associates and turnover from third party products) was US$31.8 billion for 2004-2005 compared with US$24.9 billion for the prior year. Turnover from third party products increased from US$6.7 billion in 2003-2004 to US$6.9 billion in 2004-2005.

During the year, we brought eight new growth projects into production, bringing to 24 the total number of major growth projects delivered over the last four years. This, in combination with the continuing benefit derived from Operational Excellence efficiency initiatives, contributed to record production being achieved in 11 commodities, including iron ore, metallurgical coal, natural gas, aluminium, nickel, silver, and manganese ore and alloy, at a time of strong demand and increased product prices.

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Production volumes for energy coal and copper also increased during the current period. Record production was complemented by record shipments for a number of commodities reflecting, in part, the benefits of operating our own port facilities at key operations and arranging freight for an increasing proportion of our customers.

Our Board approved four further major growth projects during the year as noted in Item 5B: Spence copper cathode project (Chile), Rapid Growth Project 2 in iron ore and North West Shelf LNG Train 5 (both Australia) and the Neptune oil and gas project (US). This brings the total number of major projects currently under development to ten and represents a total investment of US$5.4 billion as at 30 June 2005. We also have four smaller projects under development. In total, our pipeline of projects in execution or feasibility currently represents an estimated US$11.9 billion of growth related investments. In addition, the successful acquisition of WMC represents a further investment of US$7.2 billion, and immediately adds world class assets to the Group s existing nickel and copper businesses, as well as introducing uranium to the Group s suite of energy products. In combination, these investments position us to respond to customer demand globally and enhance the growth options available to us.

Our strong cash flow also underpins the Group s balance sheet strength and allows for increasing returns to shareholders. In November 2004 we completed an off-market share buyback programme by spending US$1.78 billion to repurchase 180.7 million BHP Billiton Limited shares at A$12.57, at a 12% discount to the market price. In February 2005, we announced the rebasing of our dividend payment from 9.5 to 13.5 US cents per share. Our progressive dividend policy continues, with the announcement on 24 August 2005 of a final dividend of 14.5 US cents per share. This represents a 5.0 US cent increment on the previous year s final dividend and brought the total dividends for the 2005 financial year to 28.0 US cents per share, compared to 26.0 US cents per share in 2003-2004.

Results of operations

Consolidated

Our profit before interest and taxation was US$9.2 billion for 2004-2005 compared with US$5.0 billion for 2003-2004. Excluding exceptional items and discontinued operations, profit before interest and taxation was US$9.3 billion for 2004-2005 compared with US$5.5 billion for 2003-2004. The 2004-2005 profit before tax was reduced by exceptional items totalling US$168 million (US$64 million after tax) as follows:

In December 2004, we 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% 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);

In January 2005, we disposed of our 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);

In June 2005, we disposed of the majority of our South African chrome business to the Kermas Group. The total proceeds on the sale were US$421 million, resulting in a profit of US$93 million (US$1 million tax expense) after deducting cumulative goodwill of US$67 million previously set off against reserves. In addition, we sold our interest in the Palmiet chrome business to Mogale Alloys for proceeds of US$12 million, resulting in a profit of US$15 million (US$5 million tax expense). Our share of profit before tax on disposal of the Chrome operations is US$56 million (US$4 million tax expense);

We recorded a charge against earnings in respect of restructuring certain operations. This totalled US$79 million (US$56 million after tax) and included 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);

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

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As part of our regular review of decommissioning and site restoration plans, we reassessed plans in respect of certain closed operations. We recorded a total charge of US$121 million (US$104 million after tax) including a charge of US$73 million (US$21 million tax benefit) for closed mines at Ingwe (South Africa) in relation to revision of our assessed rehabilitation obligation, predominantly resulting from revised water management plans triggered by various factors including a change in government regulation; and a charge of US$48 million (US$4 million tax expense) in relation to other closed mining operations.

The exceptional items in 2003-2004 totalled US$468 million (US$131 million after tax) and are listed under the heading Year ended 30 June 2004 compared with year ended 30 June 2003 Results of operations Consolidated .

Apart from the exceptional items, the following table and commentary detail the principal factors that affected profit before interest and taxation for 2004-2005 compared with 2003-2004:

	US$ Million
Profit before interest and taxation excluding exceptional items for the year ended 30 June 2004	**5,488**
Change in volumes	110
Change in sales prices	5,665
New operations	140
Asset sales	5
Exchange rates	(465)
Price-linked costs	(565)
Costs	(775)
Inflation on costs	(235)
Ceased and sold operations	(190)
Exploration	(20)
Other	172
Profit before interest and taxation excluding exceptional items for the year ended 30 June 2005	**9,330**

Higher sales volumes (measured at 2003-2004 average margins) increased profit before interest and taxation by US$110 million. Increased sales volumes of iron ore, copper, natural gas, aluminium, silver and lead contributed approximately US$350 million, and was partially offset by US$265 million of unfavourable impacts resulting from lower oil volumes, due to natural field decline and planned shutdowns for maintenance activities, and lower diamond sales.

Stronger commodity prices across the suite of products increased profit before interest and taxation by US$5,665 million, with higher prices achieved for iron ore, copper, metallurgical coal, petroleum products, energy coal, aluminium, manganese alloy, nickel and diamonds being the predominant contributors.

New operations increased profit before interest and taxation by US$140 million, primarily due to first production from ROD (Algeria), which commenced commercial production in October 2004, the first full year of production from Ohanet (Algeria) which commenced commercial production in October 2003, and the start of oil production from Mad Dog (US) in January 2005. The acquisition of WMC also resulted in a US$35 million favourable impact on profit before interest and taxation with the inclusion of profit for the month of June.

Profit before interest and taxation included US$5 million of additional profits on the sale of non-core assets. In addition, further profits on the sale of non-core assets have been included in exceptional items.

Relative to 2003-2004, exchange rate movements had a negative impact on profit before interest and taxation of US$465 million. The continued strength of the Australian dollar and rand against the US dollar had an overall unfavourable impact on operating costs and translation of net monetary liabilities of US$320 million and US$30 million, respectively. In addition, the prior period included gains on legacy Australian dollar to US dollar currency hedging of US$39 million that expired during that year.

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Net costs increased by US$1,403 million, as a result of:

Higher price-linked costs which decreased profit before interest and taxation by US$565 million, primarily due to higher amounts of tax paid on petroleum products in Australia, higher royalties and increased LME-linked costs;

Increased costs of US$775 million which were primarily due to higher fuel, labour, raw material and other operating costs, an increase in stripping and maintenance related activities and development expenditure. A portion of these were deliberately incurred by the Group to maximise production and capture current prices. In addition, the increased level of activity currently experienced in the resources industry has had an unfavourable impact on operating and project costs and although the impact is of varying degrees globally, these pressures are particularly acute in Australia. These costs were partially offset by continued operating cost savings from improvement initiatives and efficiency gains;

Inflationary pressures, mainly in Australia and South Africa, of US$235 million; and

These factors were partially offset by Other items which increased profit before interest and taxation by US$172 million and included the favourable impact of earnings from sales of third party product, benefits of freight risk management activities, and profit on the close out of cash settled derivative contracts for WMC shares.

Ceased and sold operations had an unfavourable impact of US$190 million including US$135 million relating to ceased production at Boodarie Iron in Western Australia after it was placed on care and maintenance during the year. The unfavourable impact also included the loss of earnings from the Laminaria and Corallina oil fields following their sale in January 2005.

Exploration expense was US$20 million higher than the prior year. Total expenditure on exploration was US$533 million, comprising US$380 million on petroleum activities and US$153 million on minerals activities. Exploration expenditure amounting to US$182 million was capitalised during 2004-2005, and exploration charged against profit in 2004-2005 was US$353 million, including US$2 million of exploration expenditure previously capitalised, which was written off as impaired.

Variations in stripping ratios have not had a material impact on the reported results of 2004-2005 as compared to the prior year.

Included in the analysis of profit before interest and taxation above is depreciation and amortisation expense which increased US$201 million to US$1,952 million in 2004-2005 from US$1,751 million in 2003-2004. This mainly reflected increased depreciation charges from newly commissioned operations at Mad Dog, Angostura and as a result of acquiring WMC.

Net interest expense fell from US$502 million in 2003-2004 to US$421 million in 2004-2005. This was principally driven by lower average debt levels and increased interest income from higher average cash balances and higher interest earning rates compared to the prior year. This was partially offset by higher expense from discounting of provisions and lower capitalisation of interest. The prior year included exchange losses on net debt of US$133 million, primarily related to the translation of rand denominated debt, whereas the exchange loss on the net debt in 2004-2005 was US$1 million.

Including exceptional items, the tax charge for 2004-2005 was US$2,111 million compared with US$1,042 million for 2003-2004, representing an effective taxation rate for 2004-2005 of 24.2% compared with 23.1% in 2003-2004. The net tax effects of exceptional items in 2004-2005 were a benefit of US$104 million, comprising mainly the sale of Laminaria and Corallina (loss of US$10 million) and Chrome operations (loss of US$6 million) and the recognition of provisions for restructuring (benefit of US$23 million), termination of operations (benefit of US$80 million) and closure plans (benefit of US$17 million).

The net tax effects of exceptional items in 2003-2004 were a benefit of US$337 million, comprising mainly the introduction of the tax consolidation regime in Australia (benefit of US$95 million) and the recognition of certain US and Canadian taxation deductions (benefit of US$238 million). The tax effects of other exceptional items in 2003-2004 were a benefit of US$4 million.

The tax charge on profit before taxation, excluding exceptional items for 2004-2005, was US$2,215 million, representing an effective tax rate of 24.9%. Excluding the impacts of non tax-effected foreign currency adjustments, translation of tax balances and other functional currency translation adjustments, the effective tax rate was 26.2%.

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When compared to the UK and Australian statutory tax rate (30%, excluding a surcharge of 10% for petroleum operations in the UK), the underlying effective tax rate benefited 3.9% due to the recognition of US tax losses (US$350 million). In addition we recognised investment incentives and development entitlements during 2004-2005 which were offset, to some extent, by non-deductible accounting depreciation and amortisation and other items.

The outside equity interests share of profit after taxation increased from US$97 million in 2003-2004 to US$232 million in 2004-2005.

We differentiate sales of our production from sales of third party product due to the significant difference in profit margin earned on these sales. The table below shows the breakdown between our production (which includes marketing of equity production) and third party product.

Year ended 30 June (US$ Million)	2005 (a)	2004 (a)
Group production (b)		
Turnover	24,859	18,283
Related operating costs	15,792	12,964
Operating profit	9,067	5,319
Margin (c)	36.5%	29.1%
Third party products (b)		
Turnover	6,945	6,660
Related operating costs	6,831	6,627
Operating profit	114	33
Margin (c)	1.6%	0.5%

(a) From continuing operations and excluding exceptional items.
(b) Including share of joint ventures.
(c) Operating profit divided by turnover.

We engage in third party product trading for two reasons:

In providing solutions for our customers, sometimes products are provided that we do not produce eg. a particular grade of coal. To do this, physical product is bought and sold from third parties to meet customer needs, and manage risk through both the physical and financial markets; and,

The active presence in the commodity markets provides us with physical market insight and commercial knowledge. From time to time we actively engage in these markets in order to take commercial advantage of business opportunities. These trading activities provide not only a source of revenue, but also a further insight into planning and in some cases gives rise to business development opportunities.

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Customer Sector Group Summary

The following table provides a summary of the Customer Sector Group results for the year ended 30 June 2005 and the prior year.

	Turnover			Profit before interest and taxation (including exceptional items)		
Year ended 30 June (US$ Million)	**2005**	**2004**	**Change %**	**2005**	**2004**	**Change %**
Petroleum	5,970	5,558	7.4%	2,020	1,457	38.6%
Aluminium	5,265	4,432	18.8%	977	776	25.9%
Base Metals	5,071	3,422	48.2%	2,147	674	218.55%
Carbon Steel Materials	7,606	4,857	56.6%	2,536	1,137	123.04%
Diamonds and Specialty Products	1,544	1,710	(9.7)%	411	410	0.24%
Energy Coal	3,390	2,569	32.0%	523	234	123.5%
Stainless Steel Materials	2,274	1,749	30.0%	861	561	53.5%
Group and unallocated items	798	725	10.1%	(313)	(229)	N/A
Less: inter-segment turnover	(114)	(79)				
BHP Billiton Group	**31,804**	**24,943**	**27.5%**	**9,162**	**5,020**	**82.5%**

Petroleum

Turnover, including our share of joint ventures and inter-segment turnover, was US$6.0 billion during 2004-2005, an increase of US$0.4 billion, or 7.4%, from turnover of US$5.6 billion in 2003-2004. The increase was mainly due to higher average realised prices for all petroleum products compared with the prior year, including higher average realised oil price per barrel of US$47.16 in 2004-2005, compared to US$32.24 in 2003-2004, and higher average realised natural gas prices of US$2.98 per thousand standard cubic feet in 2004-2005 compared with US$2.62 per thousand standard cubic feet in 2003-2004. This was partially offset by a 2.8% decrease in total production of petroleum products.

Total production in 2004-2005 was 119.0 million barrels of oil equivalent, compared with total production in 2003-2004 of 122.5 million barrels of oil equivalent. Turnover includes sales of third party product, which decreased by US$331 million to US$1,955 million in 2004-2005 from US$2,286 million in 2003-2004.

Refer to the Glossary of terms section in this annual report for conversions between tonnes, cubic feet and barrels.

Profit before interest and taxation for 2004-2005 increased US$563 million, or 39%, to US$2,020 million compared with US$1,457 million in the prior year. The 2004-2005 result included an exceptional gain of US$56 million before taxation in relation to the sale of an equity participation in the North West Shelf Project in Western Australia to CNOOC and a gain of US$134 million before taxation in relation to the sale of interests in the Laminaria and Corallina oil fields to Paladin Resources plc. The 2003-2004 result included an exceptional gain of US$66 million before taxation in relation to the settlement of a claim we had against Dalmine SpA in relation to a pipeline failure in 1994.

Excluding exceptional items, profit before interest and taxation was US$1,830 million in 2004-2005, an increase of US$439 million or 31.6% compared with US$1,391 million in 2003-2004. The increase was primarily driven by the increases in prices mentioned above, together with new production from North West Shelf LNG Train 4 (Australia), ROD (Algeria), Mad Dog (US), the first full year of production from Ohanet (Algeria), and profit before interest and taxation from the sale of third party products of US$14 million compared with losses of US$22 million in 2003-2004. These factors were partly offset by the unfavourable effect of higher price-linked costs, lower crude and condensate volumes due to natural field decline at mature assets, higher downtime for maintenance, and disposal of our interests in the Laminaria and Corallina oil fields. The impact of a stronger Australian dollar relative to the US dollar on the translation of net monetary liabilities also had an unfavourable impact.

Exploration expenditure incurred in 2004-2005 was US$380 million. The amount charged to profit was US$202 million including US$2 million of exploration expenditure previously capitalised, which was written off as impaired, and expenditure of US$180 million was capitalised. In 2003-2004, exploration expenditure incurred was US$340 million and the amount charged to profit was US$181 million (including US$6 million of exploration expenditure previously capitalised which was impaired) and expenditure of US$165 million was capitalised. The US$40 million increase reflected increased exploration activity in the Gulf of Mexico and Australia.

In late August 2005, Hurricane Katrina affected the Gulf of Mexico region. Consequently some of our facilities were evacuated or moved out of the way as is normal practice during the hurricane season. Shortly after the storm, drilling facilities were re-manned and drilling operations were restarted. Our facilities only suffered minor damage and were all back on line by the week of 12 September 2005.

An initial assessment of our assets in the Gulf of Mexico following Hurricane Rita, which affected the Gulf of Mexico region in September 2005, has revealed that the Typhoon tension leg platform (located in 2,000 feet of water in Green Canyon area Blocks 236/237, approximately 165 miles south-southwest of New Orleans) was severed from its mooring and suffered severe damage during the storm. The facility has been located and is being secured. Chevron, the operator of the Typhoon field, has mobilised appropriate resources to address any environmental concerns. No employees are at risk as all were evacuated prior to the storm, and production was shut-in. BHP Billiton holds a 50% interest in the Typhoon field with Chevron holding the remaining 50%.

Aluminium

Turnover, including our share of joint ventures and associates and inter-segment turnover, was US$5.3 billion during 2004-2005, an increase of US$0.9 billion, or 18.8%, compared with US$4.4 billion in the prior year.

Turnover was favourably affected by higher realised prices for aluminium and alumina. The average LME aluminium price increased to US$1,804 per tonne in 2004-2005, compared with US$1,570 per tonne in the prior year. Higher aluminium sales volumes, mainly reflecting the first full year of production from the expansion at Hillside (South Africa) following commissioning in December 2003, also had a favourable impact. In addition, there were increased sales of third party product in 2004-2005, which increased by US$234 million to US$2,057 million in the current year from US$1,823 million in the prior year.

Aluminium smelter production increased to 1,330,000 tonnes in 2004-2005 compared with 1,256,000 tonnes in the prior year while alumina production remained relatively unchanged at 4.2 million tonnes in 2004-2005.

Profit before interest and taxation for 2004-2005 increased US$201 million, or 26%, to US$977 million compared with a profit of US$776 million in the prior year. The 2004-2005 and 2003-2004 results included no exceptional items. The increase was mainly attributable to the price and volume increases mentioned above and the benefits of various Operational Excellence efficiency improvement projects. These factors were partially offset by the unfavourable impact on operating costs of a stronger South African rand, Australian dollar and Brazilian real against the US dollar and higher LME price-linked and other production input costs. Increased pot relining activity also had an unfavourable impact. In addition, a one-off charge of US$36 million was recorded for the agreed repurchase of an aluminium supply contract. We expect that the benefits of this repurchase will be realised through increased profit over the next ten years.

Base Metals

Turnover, including our share of joint ventures and inter-segment turnover, was US$5.1 billion during 2004-2005, an increase of US$1.6 billion, or 48.2%, compared with US$3.4 billion in 2003-2004. This increase was mainly attributable to higher average LME prices for copper of US$1.43/lb for 2004-2005 compared to US$1.06/lb in 2003-2004 and higher prices for molybdenum, silver, lead and zinc.

We achieved record silver and lead production at Cannington (Australia), record copper production at Escondida (Chile), record copper and molybdenum production at Antamina and higher copper production at Tintaya (Peru). Overall, payable copper production was 8.2% higher than in 2003-2004, mainly reflecting record production at Escondida (Chile), due to restoration to full capacity and higher head grades, the return to the normal mine plan at Antamina (Peru) following the removal of lakebed sediments and higher grades, higher production at Tintaya (Peru), and one month s attributable production at Olympic Dam (Australia). These increases were partly offset by lower production at Cerro Colorado (Chile) due to lower head grade and an earthquake that temporarily halted production in June 2005, as well as the sale of the Group s interest in Highland Valley Copper (Canada) in January 2004. Third party product sales increased to US$698 million, up from US$335 million in the prior year.

Payable copper production increased by 8.2% to 1,033,589 tonnes compared with 954,400 tonnes in the prior year. Silver production was 50,046,000 ounces, an increase of 14.5% compared with 43,692,000 ounces in the prior year. Lead production was 282,000 tonnes, an increase of 12.8% compared with 249,900 tonnes in the prior year. Zinc production was 105,400 tonnes, a decrease of 33.8% compared with 159,200 tonnes in the prior year, primarily due to lower zinc grades at Antamina. Attributable uranium production was 415 tonnes at Olympic Dam (for the month of June 2005 only).

Profit before interest and taxation for 2004-2005 was US$2,147 million, an increase of US$1,473 million, or 219% compared with US$674 million in 2003-2004. The 2004-2005 result includes an exceptional charge of US$30 million before taxation relating to re-estimations of closure costs, as well as restructuring costs charged to profit of US$1 million before taxation. The 2003-2004 result included an exceptional charge of US$482 million before taxation, including a net charge to profit of US$425 million at Southwest Copper (US) resulting from re-estimation of short term closure costs and the inclusion of residual risks, longer term water management and other costs, partially offset by an increase in the residual value of certain assets.

Excluding exceptional items, profit before interest and taxation was US$2,177 million, an increase of US$1,021 million compared with US$1,156 million in the prior year. The increase was mainly attributable to the price and volume impacts mentioned above. In addition, savings from cost and volume related improvements projects, primarily at Escondida, also had a favourable impact. These factors were partially offset by increased input and price-linked costs and the unfavourable impact of the stronger Australian dollar to US dollar exchange rate.

Certain of our base metal sales agreements provide for provisional pricing based on the LME when shipped. Final settlement is based on the average applicable price for a specified future period. We record revenue upon transfer of title and adjust these revenues to fair value through profit each period until the date of the final pricing. Historically, the period end spot price has been used to measure these revenues. As a result of the Group s analysis of the impact of adopting International Financial Reporting Standards, a conclusion was reached that the fair value of outstanding provisional price adjustments may be better estimated by reference to quoted forward market prices. However, in light of diverse views as to whether current or forward prices provide a better estimate of fair value, the Group elected to apply the lower of current and forward prices for the purpose of this valuation. We consider this approach to appropriately measure the fair value of the applicable sales agreements at period end. This change in estimation has been applied to outstanding copper sales made under provisional pricing contracts at 30 June 2005. Outstanding copper volumes, subject to this adjustment at 30 June 2005 amounted to 231,874 tonnes compared to 197,864 tonnes in the prior year. These were revalued at a weighted average rate of US$1.54/lb compared to US$1.21/lb in the prior year.

Exploration expenditure incurred and expensed was US$7 million in 2004-2005, a decrease of US$3 million, or 30%, compared with US$10 million in the prior year.

Carbon Steel Materials

Turnover, including our share of joint ventures and inter-segment turnover, was US$7.6 billion during 2004-2005, an increase of US$2.7 billion or 56.6% compared with US$4.9 billion in 2003-2004. This increase was mainly attributable to stronger commodity prices for all products, record sales volumes at Western Australian iron ore, Queensland coal (Australia) and manganese ore operations (Australia and South Africa), and larger volumes of CIF shipments. In addition, turnover increased as a result of modified supply arrangements with Bluescope Steel Limited over the eighteen month period commencing 1 January 2005. This agreement includes a fixed volume arrangement (previously variable) allowing both parties to better plan their coal supply requirements. As a result, a fixed price has been agreed for the eighteen month period which is a weighted average of 2004-2005 and 2005-2006 prices. This pricing has resulted in higher revenues in the 2004-2005 year which will be offset in the 2005-2006 year.

Attributable Western Australia iron ore production was a record 89.0 million wet tonnes in 2004-2005, an increase of 16.3% compared with 76.5 million wet tonnes in the prior year. This increase reflects strong customer demand for iron ore products along with production from the additional capacity of our Area C and Products and Capacity Expansion projects.

Production of Samarco pellets, pellet feed and sinter fines was 7.7 million tonnes in 2004-2005, which was in line with the prior year.

Queensland coal production was 31.1 million tonnes in 2004-2005, an increase of 1.6 million tonnes, or 5.4%, compared with 29.5 million tonnes in the prior year. This reflects the continuation of strong market demand. Illawarra coal production was 6.3 million tonnes in 2004-2005, an increase of 0.5 million tonnes, or 8.6% compared with 5.8 million tonnes in the prior year.

Manganese alloy production was 755,000 tonnes in 2004-2005, an increase of 6.0% compared with 712,000 tonnes in the prior year. Manganese ore production was 5.5 million tonnes in 2004-2005, an increase of 10.0% compared with 5.0 million tonnes in the prior year, which was due to continuing strong customer demand.

Boodarie Iron (Australia) was placed on care and maintenance following a fatal accident in May 2004, resulting in no production in 2004-2005. On 24 August 2005, we announced the permanent closure of the plant. We incurred a charge of US$ 266 million relating to the termination of the operation. Production in 2003-2004 was 1.7 million tonnes.

Profit before interest and taxation for 2004-2005 was US$2,536 million, an increase of US$1,399 million, or 123%, compared with a profit of US$1,137 million in the prior year. The 2004-2005 result included an exceptional charge of US$285 million before taxation mainly in relation to provisions made for the closure of Boodarie Iron, whilst the 2003-2004 result included no exceptional items.

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Excluding exceptional items, profit before interest and taxation was US$2,821 million, an increase of US$1,684 million, or 148%, compared with US$1,137 million in 2003-2004. The increase was mainly attributable to the volume and price increases as well as higher earnings from third party product sales. This was partially offset by the impact of Boodarie Iron not operating at all during the year, and unit cost performance across all operations being impacted by the stronger Australian dollar and the South African rand relative to the US dollar. Increased price-linked royalty costs and inflationary pressures on Australian and South African operations, compared with the prior year, were also unfavourable impacts. In addition, higher labour and contractor costs, increased stripping costs, principally at Queensland Coal operations due to expansion projects, and higher fuel costs for all operations had an unfavourable impact during the year. Depreciation charges also increased at Western Australian iron ore operations in respect of the Area C and Products and Capacity Expansion projects.

Exploration expenditure incurred and charged to profit was US$38 million for 2004-2005, an increase of US$30 million, or 375%, compared to US$8 million in the prior year. The increase principally related to growth projects.

Diamonds and Specialty Products

Turnover, including our share of joint ventures and inter-segment turnover, was US$1.5 billion during 2004-2005, a decrease of US$0.2 billion, or 9.7%, compared with US$1.7 billion in 2003-2004. The decrease was mainly attributable to the cessation of turnover from Integris Metals (US) following its sale in January 2005.

Excluding the impact of Integris Metals in 2004-2005, turnover, including our share of joint ventures and inter-segment turnover, increased US$140 million, or 15.9%, to US$1,021 million compared with US$881 million in 2003-2004. The increase was mainly attributable to higher realised prices for diamonds (up 38% from 2003-2004), and titanium feedstock, partially offset by lower diamond sales volumes (down 19% from 2003-2004).

EKATI (Canada) diamond production was 3,617,000 carats in 2004-2005, a decrease of 1,865,000 carats, or 34.0%, compared with 5,482,000 carats produced in the prior year, mainly reflecting the processing of lower grade material.

Profit before interest and taxation for 2004-2005 was US$411 million, an increase of US$1 million, compared with a profit of US$410 million in the prior year. The 2004-2005 result included an exceptional charge of US$6 million before taxation, mainly in relation to the restructuring of global exploration activities. No exceptional items were included in 2003-2004.

Excluding exceptional items, profit before interest and taxation was US$417 million in 2004-2005, an increase of US$7 million, or 1.7%, compared with US$410 million in 2003-2004. The increase was mainly attributable to higher realised prices for diamonds and titanium feedstock, offset by lower diamond sales volumes, higher costs due to the processing of lower grade material and the unfavourable impact of the stronger Canadian dollar to US dollar exchange rate. In addition, the cessation of earnings from Integris Metals (US) following its sale in January 2005 also had an unfavourable impact.

The 2003-2004 result included profits realised on the sale of a non-core royalty interest (US$37 million), and a profit on the sale of Integris of US$19 million realised in 2004-2005.

Exploration expenditure incurred and expensed in 2004-2005 was US$102 million. In 2003-2004 exploration expenditure incurred was US$87 million with US$96 million charged to profit, which included US$9 million exploration expenditure previously capitalised written off as impaired.

Energy Coal

Turnover, including our share of joint ventures and inter-segment turnover, was US$3.4 billion in 2004-2005, an increase of US$0.8 billion, or 32.0%, from US$2.6 billion in the prior year. The increase in turnover was mainly due to higher export prices, resulting from continued strong demand in the Atlantic and Pacific markets. Turnover also increased due to higher export sales volumes from Australian and Colombian operations, following the successful ramp-up of expansion projects, offset by lower sales volumes from Ingwe (South Africa). Third party product sales increased by US$118 million to US$672 million in the current year from US$554 million in the prior year.

Production was 87.4 million tonnes in 2004-2005, an increase of 4.2% compared with 83.9 million tonnes in the prior period. This reflects increased production at all operations.

Profit before interest and taxation was US$523 million for 2004-2005, an increase of US$289 million, or 123.5%, compared with US$234 million in 2003-2004. The 2004-2005 result included an exceptional charge of US$93 million before taxation comprising US$73 million relating to re-estimation of rehabilitation costs for closed sites and US$20 million for restructuring activities. The 2003-2004 result included no exceptional items.

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Excluding exceptional items, profit before interest and taxation was US$616 million, an increase of US$382 million, or 163.2%, compared with US$234 million in the prior year. The increase was mainly attributable to the price factors mentioned above and higher earnings from third party product sales activities. These factors were partially offset by higher unit costs at Ingwe reflecting the timing of major overhauls, increased consumable usage and cost as well as increased utilisation of contractors. The strengthening of the South African rand, Australian dollar and Colombian peso against the US dollar as well as South African inflationary pressures also had an unfavourable impact on operating costs.

Exploration expenditure incurred and capitalised in 2004-2005 was US$2 million compared with US$3 million in 2003-2004. In addition, US$37 million was charged to profit in 2003-2004 reflecting previously capitalised exploration expenditure being written off as impaired.

Stainless Steel Materials

Turnover, including our share of joint ventures and inter-segment revenue, was US$2.3 billion in 2004-2005, an increase of US$0.6 billion or 30.0% compared with US$1.7 billion in 2003-2004. The increase was a mainly due to higher realised prices for all products with the nickel price increasing 23.0% from US$5.49/lb to US$6.75/lb. The average realised price for ferrochrome also increased over the prior year.

Nickel production was a record 91,900 tonnes in 2004-2005, an increase of 12.5% compared with 81,700 tonnes in the prior year. This primarily reflects the inclusion of Nickel West production for June 2005 following our acquisition of WMC and the impact of Operating Excellence efficiency improvement initiatives at Cerro Matoso (Colombia), where production was 4.4% above 2003-2004. QNI Yabulu (Australia) production was 3.8% below 2003-2004, a result of shutdowns for major tie-ins for the Yabulu Expansion Project and a significant drawdown of inventory in process which occurred in the prior year and was not repeated in the current year.

Ferrochrome production was 954,000 tonnes prior to our sale of Samancor Chrome. This compares to 1,026,000 tonnes in 2003-2004. Lower production also resulted from extended maintenance at the 50% owned Wonderkop joint venture.

Profit before interest and taxation was US$861 million, up from US$561 million in 2003-2004, an increase of US$300 million, or 53.5%. The 2004-2005 result included exceptional items relating to a gain on the disposal of the Samancor Chrome business in South Africa of US$108 million before taxation, which was effective at 1 June 2005, and restructuring provisions charged to profit of US$5 million before taxation. The 2003-2004 result included an exceptional charge of US$10 million before taxation for reassessment of closure plans for closed sites.

Excluding exceptional items, profit before interest and taxation was US$758 million, an increase of US$187 million, or 32.7%, compared with US$571 million in 2003-2004. The increase was mainly due to higher realised prices mentioned above and includes earnings from the ferrochrome operations for the 11 months to 1 June 2005 during which they were owned by BHP Billiton. These higher prices were partially offset by higher price-linked ore supply costs to the QNI Yabulu refinery and higher royalties at Cerro Matoso. In addition, the strengthening of the Colombian peso and Australian dollar against the US dollar, and higher fuel costs, had an unfavourable impact on operating costs.

The 2004-2005 result benefited from the profit on sale of our Acerinox share investment (US$22 million) whilst the 2003-2004 result included the profit from the sale of mineral rights in South Africa (US$30 million).

Exploration expenditure charged to profit in 2004-2005 was US$2 million, which was in line with the prior year.

Group and Unallocated Items

This category represents corporate activities, including Group Treasury and Freight, Transport and Logistics operations, and certain comparative data for divested assets and investments.

The contribution of these corporate activities to our profit before interest and taxation for 2004-2005 was a loss of US$313 million compared with a loss of US$229 million in the prior year. The 2004-2005 result included an exceptional charge of US$47 million before taxation for restructuring of operations. The 2003-2004 result included an exceptional charge of US$42 million before taxation for reassessment of closure plans for closed sites.

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Excluding exceptional items, the contribution of the Group and Unallocated Items to our profit before interest and taxation was a loss of US$266 million in 2004-2005, an increase of US$79 million or 42.2% compared with a loss of US$187 million in 2003-2004.

Net corporate operating costs, excluding gains and losses from legacy Australian dollar to US dollar currency hedging and other exchange impacts, were US$292 million, an increase of US$34 million compared to US$258 million in the prior year. This was primarily due to employee share award costs which increased US$26 million over the prior year and higher corporate project and regulatory compliance costs, offset by the profit on the settlement of cash settled derivative contracts for WMC shares that we entered into ahead of the takeover.

The 2003-2004 result included gains on legacy Australian dollar to US dollar currency hedging of US$39 million which expired during that year.

Dividends

We paid a final dividend of 14.5 US cents per share to shareholders in September 2005 and an interim dividend of 13.5 US cents per share in March 2005. The interim dividend included US$220 million (3.6 US cents per share) to complete the US$2 billion capital management programme we announced in August 2004. The declared total dividend for 2004-2005 was 28.0 US cents per share. This compares to total dividends declared in 2003-2004 of 26.0 US cents per share. To the extent permitted under applicable laws, we intend to continue with our progressive dividend policy.

The BHP Billiton Limited dividends in both periods were fully franked for Australian taxation purposes. Franked dividends are those paid out of profits that have borne Australian corporate tax (i.e. to which franking credits have been allocated) while unfranked dividends are paid out of untaxed profits. Generally, franking credits are generated by income tax paid by the company. Shareholders who receive franked dividends are generally entitled to some form of relief from Australian tax in respect of those dividends. Dividends paid to non-Australian resident shareholders are exempt from Australian dividend withholding tax to the extent the dividends are franked. Dividends paid to Australian resident shareholders would entitle those shareholders to an Australian tax credit to the extent the dividends are franked.

Dividends for the BHP Billiton Group are determined and declared in US dollars. However, BHP Billiton Limited dividends are mainly paid in Australian dollars and BHP Billiton Plc dividends are mainly paid in pounds sterling to shareholders on the UK section of the register and in rands to shareholders on the South African section of the register. The foreign currency exchange rates applicable two business days before the declaration of the dividend were used for conversion of currencies.

Year ended 30 June 2004 compared with year ended 30 June 2003

The following discussion and analysis is based on the BHP Billiton Group s Annual Financial Statements, which reflect the combined operations of the BHP Billiton Plc Group and the BHP Billiton Limited Group for the two years ended 30 June 2004 and 30 June 2003 as prepared in conformity with UK GAAP.

In this analysis, all references to 2003-2004 or the current period are to the year ended 30 June 2004 and all references to 2002-2003 or the prior period are to the year ended 30 June 2003.

Overview

Global economic conditions improved during the year ended 30 June 2004 compared to the prior year. As product demand and commodity prices both improved, we generated higher cash flows from operating activities, increased our profit after tax and our returns to shareholders, while still continuing our investment in value accretive growth projects.

Profit after tax (before equity minority interests) for the year ended 30 June 2004 was US$3.5 billion compared with US$1.9 billion for 2002-2003. Excluding exceptional items and discontinued operations, profit after taxation (before equity minority interests) was US$3.6 billion compared with US$2.0 billion for the year ended 30 June 2003.

Turnover (including our share of joint ventures and associates and turnover from third party products) was US$24.9 billion for 2003-2004 compared with US$17.5 billion for 2002-2003. Turnover from third party products increased from US$3.4 billion in 2002-2003 to US$6.7 billion in 2003-2004.

Record production volumes were achieved at a number of our businesses as seven new projects came on stream and other projects ramped up to full production. Our Operating Excellence efficiency improvement initiatives also contributed to the increased production, allowing us to take full advantage of strong market demand. Western Australian iron ore, Queensland coal and Groote Eylandt manganese (all Australia) operations produced record volumes of iron ore, coking coal and manganese ore, respectively.

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Escondida (Chile) produced record copper volumes, Cannington (Australia) produced record silver volumes and Ekati (Canada) achieved record diamond volumes. Record alumina, aluminium, nickel and natural gas volumes were also achieved during the current year.

Available cash flow (after interest and tax) for 2003-2004 was a record US$5.1 billion. This strength in cash flow enabled the continuing development of our project pipeline. The seven projects successfully commissioned during the year required a capital investment of approximately US$1.9 billion. Our Board also approved five major projects during the year: the Worsley Development Capital Projects, Escondida Sulphide Leach, Panda Underground, Ravensthorpe Nickel and the Yabulu Extension projects, representing a combined forecast capital expenditure of US$2.2 billion. In total, we had 14 major growth projects under development, 11 of which were tracking within our Board s approved budget and schedule. The Minerva gas project in Australia was assigned a rescheduled completion date and a re-estimated cost emanating from a review of contractual arrangements relating to design and construction, the ROD oil project in Algeria also had a rescheduled completion date due to delays in procurement of some equipment and materials, and below expected construction productivity, and the Dendrobium mine development project had a re-estimated cost arising from more difficult than expected mining conditions.

Our Board remained committed to demonstrating strong capital discipline whilst ensuring that we are able to finance our strong and growing organic growth pipeline. Following a review of our current and anticipated cash flows, our Board approved a number of actions associated with capital management activities. On 18 August 2004, we declared a final dividend of 9.5 US cents per share for 2003-2004, an increase of 26.7% over the 2002-2003 final dividend. This brought the total dividends for 2003-2004 to 26.0 US cents per share (see Dividends below). Additionally, our Board approved plans to pursue additional capital management initiatives with a target amount of up to US$2 billion (see Capital Management in section B Liquidity and Capital Resources below).

Results of operations

Consolidated

Profit before interest and taxation was US$5.0 billion for 2003-2004 compared with a profit of US$3.5 billion for 2002-2003. Excluding exceptional items and discontinued operations, profit before interest and taxation was US$5.5 billion for 2003-2004 compared with a profit of US$3.5 billion for 2002-2003. The 2003-2004 profit before tax was reduced by exceptional items totalling US$468 million (US$131 million after tax) as follows:

We refined our plans in relation to certain closed operations. This resulted in a charge of US$534 million (US$512 million after tax) comprising:

At Southwest Copper (US), a charge of US$425 million (nil tax benefit) resulting from a comprehensive review of closure plans that was undertaken following the refocusing of the Group s direction during the period towards an accelerated closure strategy. This followed exhaustion of previous alternative strategies, and resulted in a shortened timeframe to closure for some of the facilities. Actions during the year resulting from the review included the announcement of the closure of the San Manuel plant facilities in October 2003, and the divestment and farm-out of certain assets and liabilities during the period, such as the Robinson copper/gold mining operation and the Resolution copper exploration prospect. The review also 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; and, At other closed sites, a charge of US$109 million (before a tax benefit of US$22 million), in relation to the Island Copper mine (Canada), the Newcastle steelworks (Australia), the Selbaie copper mine (Canada), and several other smaller sites. These increases resulted from a number of causes, including (a) a reassessment during the period of an original pit lake water treatment process which requires additional treatment for a longer period; (b) a comprehensive environmental assessment completed during the period as a consequence of a change in approach relating to the remediation of river sediment; and, (c) development of detailed closure plans, including site characterisation, in relation to sites which closed during the last two years where closure activities had commenced.

We announced we were 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, we recorded an exceptional gain of US$66 million (US$48 million after tax);

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We elected to consolidate our Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government. Under the transitional rules, we chose to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of the assets. This resulted in the restatement of deferred tax balances and an exceptional tax benefit of US$95 million being recorded in accordance with UK GAAP; and

The level of certainty regarding potential benefits arising from prior period taxation deductions and foreign tax credits available in the US and Canada has increased to the extent that some of the provisions against deferred tax assets established in prior years were no longer necessary. This is 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, we recorded an exceptional tax benefit of US$238 million.

The exceptional item in 2002-2003 was a loss of US$19 million on the 6% of BHP Steel retained by BHP Billiton following its demerger, which became effective on 1 July 2002. BHP Steel has been disclosed as a discontinued business for prior periods.

Apart from the exceptional items, the following table and commentary detail the principal factors that affected profit before interest and taxation for 2003-2004 compared with 2002-2003:

	US$Million
Profit before interest and taxation excluding exceptional items for the year ended 30 June 2003	**3,481**
Change in volumes	180
Change in sales prices	3,145
Price-linked costs	(325)
Inflation on costs	(300)
Costs	70
New operations	55
Ceased and sold operations	75
Asset sales	60
Exchange rates	(775)
Exploration	(85)
Other items	(93)
Profit before interest and taxation excluding exceptional items for the year ended 30 June 2004	**5,488**

Higher sales volumes of copper, iron ore, aluminium, natural gas, LPG, manganese ore, metallurgical coal and diamonds were partially offset by lower oil and titanium feedstock product volumes. This resulted in a net positive impact on profit before interest and taxation of approximately US$180 million;

Higher commodity prices increased profit before interest and taxation by approximately US$3,145 million with copper, nickel, petroleum products, aluminium, export energy coal, ferrochrome and iron ore prices having significant contributions;

New operations increased profit before interest and taxation by approximately US$55 million mainly due to the commencement of commercial production from the Ohanet wet gas development in Algeria from October 2003;

Ceased and sold operations had a favourable impact on profit before interest and taxation of approximately US$75 million. This mainly reflects the impact of divested assets including our petroleum assets in Bolivia, the Alumbrera copper/gold mine in Argentina, and our 33.6% interest in the Highland Valley Copper mine; and,

Asset sales favourably impacted profit before interest and taxation by approximately US$60 million mainly due to the sale of non-core assets, including a non-core royalty interest in December 2003 and sales of non-core mineral rights.

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The favourable impact of these items was partially offset by the following:

- Net costs increased by US$555 million, as a result of:
  - Higher price-linked costs, which decreased profit before interest and taxation by approximately US$325 million, mainly due to increased taxes on petroleum products, and higher LME-linked costs;
  - Inflationary and other input cost pressures, principally in South Africa and Australia, which increased costs by approximately US$300 million; and
  - These factors were partially offset by favourable operating cost performance of approximately US$70 million.
- The unfavourable exchange rate impact on profit before interest and taxation of US$775 million was primarily due to stronger A$/US$ and rand/US$ average exchange rates on operating costs, which had an unfavourable impact on profit before interest and taxation of approximately US$915 million. The conversion of South African rand and Australian dollar denominated net monetary liabilities at 30 June 2004 had a favourable impact of approximately US$65 million on profit before interest and taxation, which was mainly due to the closing A$/US$ exchange rate appreciating 3.4% during the current period compared with an appreciation of 17.7% in the prior year. Gains on legacy A$/US$ currency hedging of US$39 million in the current period had a favourable impact of US$125 million compared to losses of US$86 million in the prior year; and,
- Exploration expense was approximately US$85 million higher than in the prior period. Gross exploration expenditure was US$454 million, comprising petroleum exploration of US$340 million and minerals exploration of US$114 million, compared with US$348 million in the prior year. Exploration expenditure amounting to US$170 million was capitalised during 2003-2004, and exploration charged against profit in 2003-2004 was US$336 million, including US$52 million of exploration expenditure previously capitalised, which was written off as impaired.

Variations in stripping ratios did not have a material impact on the reported results of 2003-2004 as compared to the prior year.

Depreciation and amortisation expense increased US$103 million to US$1,751 million in 2003-2004. This mainly reflected increased depreciation charges from newly commissioned operations at Ohanet, Western Australian iron ore operations, Escondida, Mozal and Hillside.

Net interest fell from US$537 million to US$502 million, principally driven by lower average debt levels and active management of our debt portfolio which resulted in lower average interest rates. Included in net interest were exchange losses on net debt, mainly relating to the translation of rand denominated debt, of US$133 million compared with losses of US$140 million in the prior year.

Including exceptional items, the tax charge for 2003-2004 was US$1,042 million compared with US$984 million for 2002-2003, representing an effective taxation rate for 2003-2004 of 23.1% compared with 33.6% in 2002-2003. The net tax effects of exceptional items in 2003-2004 were a benefit of US$337 million, comprising mainly the introduction of the tax consolidation regime in Australia (benefit of US$95 million) and the recognition of certain US and Canadian taxation deductions (benefit of US$238 million). The tax effects of other exceptional items in 2003-2004 were a benefit of US$4 million. There were no tax effects of exceptional items in 2002-2003.

The tax charge on profit before taxation, excluding exceptional items, was US$1,379 million, representing an effective rate of 27.7%. Excluding the impacts of non tax-effected foreign currency adjustments, translation of tax balances and other functional currency translation adjustments, mainly attributable to the strengthening of both the rand and Australian dollar against the US dollar during the period, the effective rate was 26.4%. When compared to the UK and Australian statutory tax rate (30%, excluding a surcharge of 10% for petroleum operations in the UK), the underlying effective tax rate benefited 2% due to the recognition of tax losses (US$100 million) in the US. In addition, investment incentives, development entitlements and other unbenefited tax losses and tax credits were recognised during the year which further reduced the effective rate by 2.4%. These benefits were offset by non-deductible accounting depreciation and amortisation, non-tax effected losses and other items which increased the effective tax rate, before foreign exchange impacts, by 0.8%.

The outside equity interests share of profit after taxation increased from US$40 million in 2002-2003 to US$97 million in 2003-2004.

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Customer Sector Group Summary

The following table provides a summary of the Customer Sector Group results for the year ended 30 June 2004 and the prior year.

	Turnover			Profit before interest and taxation (including exceptional items)		
Year ended 30 June (US$ Million)	**2004**	**2003**	**Change %**	**2004**	**2003**	**Change %**
Petroleum	5,558	3,264	70.3%	1,457	1,178	23.7%
Aluminium	4,432	3,386	30.9%	776	581	33.6%
Base Metals	3,422	1,954	75.1%	674	286	135.7%
Carbon Steel Materials	4,857	3,714	30.8%	1,137	1,045	8.8%
Diamonds and Specialty Products	1,710	1,485	15.2%	410	299	37.1%
Energy Coal	2,569	2,089	23.0%	234	198	18.2%
Stainless Steel Materials	1,749	1,106	58.1%	561	150	274.0%
Group and unallocated items	725	549	32.1%	(229)	(256)	N/A
Discontinued Operations					(19)	N/A
Less: inter-segment turnover	(79)	(41)				
BHP Billiton Group	**24,943**	**17, 506**	**42.5%**	**5,020**	**3,462**	**45.0%**

Petroleum

Turnover, including our share of joint ventures and associates and inter-segment turnover, was US$5.6 billion during 2003-2004, an increase of US$2.3 billion, or 70.3%, over 2002-2003. Turnover includes sales of third party product, which increased by US$2,035 million to US$2,331 million in the current year. Turnover was favourably affected in 2003-2004 by higher average realised prices for all petroleum products compared with the prior year, including higher average realised oil prices of US$32.24 per barrel compared to US$28.14 per barrel, and higher average realised natural gas prices of US$2.62 per thousand standard cubic feet compared with US$2.21 per thousand standard cubic feet. Additionally, there was a 1% increase in total production of petroleum products. Total production in 2003-2004 was 122.5 million barrels of oil equivalent, compared with total production in 2002-2003 of 121.8 million barrels of oil equivalent.

Refer to the Glossary of terms section of this annual report for conversions between tonnes, cubic feet and barrels.

Profit before interest and taxation for 2003-2004 was US$1,457 million compared with a profit of US$1,178 million in the prior year. The 2003-2004 result included an exceptional gain of US$66 million before taxation in relation to the settlement with Dalmine SpA. No exceptional items were included in 2002-2003.

Excluding exceptional items, Petroleum s profit before interest and taxation was US$1,391 million in 2003-2004, an increase of US$213 million, or 18.1%, compared with 2002-2003. The increase was primarily driven by the favourable higher average price factors mentioned above, together with new production from Ohanet (Algeria) and Boris (US), a write down of the Group s Bolivian assets in 2002-2003, due to a government driven change to fiscal arrangements, and a smaller loss on foreign exchange than in 2002-2003. These factors were partly offset by the unfavourable effect of higher price-linked costs, increased exploration expenditure, and losses on sale of third party products.

Exploration expenditure incurred in 2003-2004 was US$340 million. The amount charged to profit was US$181 million (including US$6 million of exploration expenditure previously capitalised, now written off as impaired) and expenditure of US$165 million was capitalised. In 2002-2003, exploration expenditure incurred was US$243 million and the amount charged to profit was US$154 million (reflecting capitalised expenditure of US$97 million and US$8 million exploration expenditure previously capitalised, which was written off as impaired). The increase of US$97 million reflected increased exploration activity in the Gulf of Mexico, Trinidad and Tobago and Western Australia.

Aluminium

Turnover, including our share of joint ventures and associates and inter-segment turnover, was US$4.4 billion during 2003-2004, an increase of US$1.0 billion, or 30.9%, compared with the prior year.

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Turnover was favourably affected by higher realised prices for aluminium and alumina. Average LME aluminium prices increased to US$1,570 per tonne in 2003-2004, compared with US$1,360 per tonne in the prior year. Higher sales volumes from Mozal 2 (Mozambique) and Hillside 3 (South Africa) following full commissioning in August 2003 and December 2003 respectively, also had a favourable impact. In addition, there were increased sales of third party product in 2003-2004, which increased by US$490 million to US$1,823 million.

Aluminium smelter production was 1,256,000 tonnes in 2003-2004 compared with 1,074,000 tonnes in the prior year and alumina production increased from 4.1 million tonnes in 2002-2003 to 4.2 million tonnes in 2003-2004.

Profit before interest and taxation for 2003-2004 was US$776 million compared with a profit of US$581 million in the prior year. The 2002-2003 and 2003-2004 results included no exceptional items. The increase was mainly attributable to the price and volume increases mentioned above. These factors were partially offset by the unfavourable impact on operating costs of strengthening A$/US$, rand/US$ and Brazilian real/US$ average exchange rates, higher LME price-linked costs, increased transportation costs and inflationary pressure in Brazil.

Base Metals

Turnover, including our share of joint ventures and associates and inter-segment turnover, was US$3.4 billion during 2003-2004, an increase of US$1.5 billion, or 75.1%, compared with the prior year. This increase was mainly attributable to higher average realised prices for copper of US$1.14/lb in 2003-2004, compared with US$0.73/lb in 2002-2003, and also for silver, lead and zinc. Record production was achieved at Escondida where de-bottlenecking continued as the operation moved towards full capacity. The improvement in the copper market allowed sulphide operations at Tintaya (Peru) to resume in August 2003, returning to full capacity during the current calendar year. Record production was also achieved at Cannington, and production of zinc at Antamina (Peru) was significantly higher. In addition, there were increased sales of third party product in 2003-2004, which increased by US$297 million to US$335 million in 2003-2004.

Production of payable copper increased by 10% to 954,400 tonnes in 2003-2004 compared with 870,500 tonnes in the prior year. Zinc production was 159,200 tonnes in 2003-2004, a decrease of 18% compared with 193,800 tonnes in the prior year. Silver production was 43,692,000 ounces in 2003-2004, an increase of 6% compared with 41,128,000 ounces in 2002-2003 and lead production was 249,900 tonnes in 2003-2004 an increase of 4% compared with 240,042 tonnes in the prior year.

Profit before interest and taxation for 2003-2004 was US$674 million compared with a profit of US$286 million in the prior year. The 2003-2004 result included an exceptional charge of US$482 million before taxation, including a net charge to profit of US$425 million at Southwest Copper (US) resulting from a re-estimation of short-term closure costs and the inclusion of residual risks, longer-term water management and other costs, and partly offset by an increase in the residual value of certain assets. The 2002-2003 result included no exceptional items.

Excluding exceptional items, Base Metals profit before interest and taxation was US$1,156 million in 2003-2004, an increase of US$870 million compared with 2002-2003. The increase was mainly attributable to the price and volume increases mentioned above. These factors were partially offset by the unfavourable impact on operating costs of stronger A$/US$ and Chilean peso/US$ average exchange rates, higher operating and maintenance costs at Escondida, and higher production costs at Antamina. The prior year included a profit of US$40 million relating to the Alumbrera mine, which was sold effective April 2003.

Exploration expenditure incurred and expensed was US$10 million in 2003-2004 and US$12 million in 2002-2003.

Carbon Steel Materials

Turnover, including our share of joint ventures and associates and inter-segment turnover, was US$4.9 billion during 2003-2004, an increase of US$1.1 billion, or 30.8%, compared with 2002-2003. This increase was mainly attributable to stronger commodity prices, record production and sales volumes at Western Australian iron ore operations, and higher sales at both Queensland coal and Australian manganese ore operations.

Attributable Western Australian iron ore production was 76.5 million wet tonnes, an increase of 16% compared with the prior year. This increase reflects strong customer demand for iron ore products along with additional capacity following the completion of the Area C and Products and Capacity Expansion projects.

Production of Samarco pellets, pellet feed and sinter fines was 7.7 million tonnes in 2003-2004, a decrease of 0.2 million tonnes compared with the prior year.

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Queensland coal production was 29.5 million tonnes in 2003-2004, an increase of 6% compared with the prior year. This reflects stronger market demand. Illawarra Coal production was 5.8 million tonnes in 2003-2004, a decrease of 14% compared with 2002-2003, largely reflecting difficult mining conditions.

Manganese alloy production was 712,000 tonnes in 2003-2004, a decrease of 3% compared with 2002-2003. Manganese ore production was 5.0 million tonnes, an increase of 21% compared with 2002-2003 which was due to strong customer demand.

Boodarie Iron production was 1,716,000 tonnes in 2003-2004, an increase of 3% compared with 2002-2003.

Profit before interest and taxation for 2003-2004 was US$1,137 million compared with a profit of US$1,045 million in the prior year. The 2002-2003 and 2003-2004 results included no exceptional items. The increase was mainly attributable to the price and volume increases mentioned above. In addition, local currency unit cost performance improved at Western Australian iron ore, as a result of ongoing cost efficiency programmes and increased production. These improvements were partially offset by the unfavourable impact of stronger A$/US$ and rand/US$ average exchange rates and inflationary pressure on Australian and South African operations compared with the prior year. Depreciation charges increased at Western Australian iron ore operations following the completion of the Area C and Products and Capacity Expansion projects, and stripping and demurrage costs were higher at Queensland coal and Western Australian iron ore operations.

Exploration expenditure incurred and charged to profit was US$8 million in 2003-2004 and US$9 million in 2002-2003.

Diamonds and Specialty Products

Turnover, including our share of joint ventures and associates and including inter-segment turnover, was US$1.7 billion during 2003-2004, an increase of US$0.2 billion, or 15.2%, compared with 2002-2003. The increase was mainly attributable to higher realised prices for diamonds and Integris metal products (a reflection of strong market conditions), and higher diamond sales volumes.

EKATI (Canada) diamond production was 5,482,000 carats in 2003 2004, an increase of 1,142,000 carats or 26% compared with 4,340,000 carats in the prior year, mainly reflecting record plant throughput in 2003-2004. Sales volumes were up 8% and the average per carat value sold was up 27%.

Diamonds and Specialty Products profit before interest and taxation for 2003-2004 was US$410 million compared with a profit of US$299 million in the prior year. No exceptional items were included in 2002-2003 or 2003-2004. The increase in profit was mainly attributable to the price and volume factors mentioned above. In addition, the 2003-2004 result was favourably affected by profits realised on the sale of a non-core royalty interest (US$37 million). These factors were partially offset by higher price-linked costs at Integris Metals (US), lower titanium feedstock volumes, higher depreciation charges at EKATI and the unfavourable impact of stronger rand/US$ average exchange rates on operating costs.

Exploration expenditure incurred in 2003-2004 was US$87 million. The amount charged to profit was US$96 million in 2003-2004, including US$9 million exploration expenditure previously capitalised, now written off as impaired. Exploration expenditure incurred and expensed in 2002-2003 was US$78 million.

Energy Coal

Turnover, including our share of joint ventures and associates and inter-segment turnover, was US$2.6 billion during 2003-2004, an increase of US$0.5 billion, or 23.0%, over 2002-2003. The increase in turnover was mainly due to higher export prices resulting from strong demand in both the Atlantic and Pacific markets, and increased sales volumes from Australian and Colombian operations.

Production was 83.9 million tonnes, an increase of 2.7% compared with 81.7 million tonnes in the prior period. This reflects increased production at the Australian and Colombian operations.

Profit before interest and taxation for 2003-2004 was US$234 million compared with US$198 million in the prior year. The 2002-2003 and 2003-2004 results included no exceptional items. The increase was mainly attributable to the price and volume factors mentioned above, together with cost savings driven by integration synergies and business improvement programmes at Cerrejon Coal (Colombia). This was partially offset by the unfavourable impact on net operating costs of stronger rand/US$ and A$/US$ average exchange rates, and higher unit costs at Ingwe (South Africa) reflecting lower export sales volumes, higher contractor costs, and South African inflationary pressures. Increased demurrage costs at Ingwe and Hunter Valley (Australia) also had an unfavourable impact.

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Exploration expenditure incurred and capitalised in 2003-2004 was US$3 million. The amount charged to profit was US$37 million, reflecting exploration expenditure previously capitalised, which was written off as impaired.

Stainless Steel Materials

Turnover, including our share of joint ventures and associates and inter-segment turnover, was US$1.7 billion in 2003-2004, an increase of US$0.6 billion, or 58.1%, over 2002-2003. The increase was mainly driven by higher realised prices for nickel (2004 US$5.49/lb; 2003 US$3.46/lb), and also for ferrochrome products, together with record production at nickel operations achieved through ongoing improvement programmes at both Cerro Matoso (Colombia) and the QNI Yabulu refinery (Australia).

Nickel production was 81,700 tonnes in 2003-2004, an increase of 5% compared with 78,100 tonnes in the prior year. Ferrochrome production was 1,026,000 tonnes in 2003-2004, an increase of 4% compared with 990,000 tonnes in the prior year. These increases were driven by strong market demand, operating efficiency gains and higher capacity utilisation.

Profit before interest and taxation for 2003-2004 was US$561 million compared with US$150 million in the prior year. The 2003-2004 result included an exceptional charge of US$10 million before taxation for reassessment of closure plans for closed sites. The 2002-2003 result included no exceptional items.

Excluding exceptional items, Stainless Steel Material s profit before interest and taxation was US$571 million in 2003-2004, an increase of US$421 million compared with 2002-2003. The increase is mainly due to the favourable impact of price and volume factors on the 2003-2004 result mentioned above, together with profits from the sale of mineral rights in South Africa (US$30 million). These factors were partially offset by the unfavourable impact on operating costs of stronger rand/US$ and A$/US$ average exchange rates, higher price-linked ore supply costs at the QNI Yabulu refinery and higher royalties at Cerro Matoso. In addition, increased shipping costs, higher oil and coking coal prices, and inflationary pressures in South Africa had an unfavourable impact.

Exploration expenditure incurred in 2003-2004 was US$4 million. The amount charged to profit in 2003-2004 was US$2 million. Exploration expenditure incurred and charged to profit in 2002-2003 was US$3 million.

Group and Unallocated Items

This category represents corporate activities, including Group Treasury and Freight, Transport and Logistics operations, and certain comparative data for divested assets and investments including HBI Venezuela and Ok Tedi.

The contribution of these corporate activities to our profit before interest and taxation for 2003-2004 was a loss of US$229 million compared with a loss of US$256 million in the prior year. The 2003-2004 result included an exceptional charge of US$42 million before taxation for reassessment of closure plans for closed sites. No exceptional items were included in 2002-2003.

Excluding exceptional items, the contribution of Group and Unallocated Items to our profit before interest and taxation was a loss of US$187 million in 2003-2004, a decrease of US$69 million or 27% compared with 2002-2003.

Group and Unallocated Items contribution includes gains on legacy A$/US$ currency hedging of approximately US$39 million during the current period, compared with losses of approximately US$86 million in the prior year. These gains or losses mainly reflect the higher or lower value of hedge settlement rates compared with hedge contract rates for currency hedging contracts settled during the year. Net corporate operating costs, excluding gains and losses from legacy A$/US$ currency hedging and other exchange impacts, were US$258 million, a decrease of US$9 million compared to US$267 million in the prior year. The underlying decrease in costs was partially offset by the impact of asset sales and other one-off items in the prior year.

Dividends

We paid a first interim dividend of 8.0 US cents per fully paid ordinary share in December 2003, a second interim dividend of 8.5 US cents per fully paid ordinary share in May 2004 and a final dividend of 9.5 US cents per fully paid ordinary share in September 2004, bringing the declared total for 2003-2004 to 26.0 US cents. This compares to total dividends declared in 2002-2003 of 14.5 US cents per share. We declared three dividends for the year ended 30 June 2004 as a result of our decision to realign dividend declaration dates to coincide with the announcements of our interim and full year results.

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Comparison to results under US Generally Accepted Accounting Principles

A number of differences between the results under UK GAAP and US GAAP arise from the fact that, whilst the DLC Merger was treated as a pooling-of-interests under UK GAAP, it was treated as a purchase of the BHP Billiton Plc Group by the BHP Billiton Limited Group under US GAAP.

For a detailed description of significant differences between UK GAAP and the estimated result under US GAAP see note 34 US Generally Accepted Accounting Principles disclosures in the 2005 BHP Billiton Group Annual Financial Statements.

The UK GAAP attributable profit for 2004-2005 was US$6.4 billion, which is US$10 million lower in comparison to US GAAP. The difference includes US$231 million (after tax) gain for fair value accounting for derivatives and US$49 million (after tax) increase in US GAAP net income due to lower employee compensation cost recognised under SFAS 123. Other taxation adjustments, which decreased US GAAP net income by US$284 million, mainly relate to the tax impact of net unrealised foreign exchange gains on US dollar net debt held by subsidiaries, which retain local currency records for tax purposes, and tax expense of US$261 million, which has been recognised in the 2004-2005 year for US GAAP.

Under UK GAAP, attributable profit for 2003-2004 was US$3.4 billion compared to US$2.7 billion under US GAAP, a difference of US$0.7 billion. The difference included estimated adjustments of US$491 million (after tax) for impairment of goodwill recorded on acquisition of the BHP Billiton Plc Group, US$88 million (after tax) for increased depreciation and amortisation of the fair value adjustment on acquisition of the BHP Billiton Plc Group and a US$214 million (after tax) loss for fair value accounting for derivatives. Other taxation adjustments, which increased US GAAP net income by US$150 million, mainly related to the introduction of the tax consolidation regime in Australia, whereby the benefit is recognised over the lives of affected assets for UK GAAP, but is recognised immediately in 2003-2004 for US GAAP.

Under UK GAAP, attributable profit for 2002-2003 was US$1.9 billion compared to US$1.6 billion under US GAAP, a difference of US$0.3 billion. The difference included estimated adjustments of US$85 million (after tax) for increased depreciation and amortisation of the fair value adjustment on acquisition of the BHP Billiton Plc Group. Other taxation adjustments mainly related to the tax impact of net unrealised foreign exchange gains on US dollar net debt held by subsidiaries, which retain local currency records for tax purposes, of US$193 million, which was recognised in the 2002-2003 year for US GAAP. Additionally, the US$61 million charge for UK petroleum tax was reflected in 2002-2003 for US GAAP.

As discussed in note 34 US Generally Accepted Accounting Principles disclosures in the 2004 BHP Billiton Group Annual Financial Statements, we changed our methods of accounting for goodwill and employee stock-based compensation under US GAAP in 2002-2003 (refer to footnotes (A) and (B) respectively).

B. Liquidity and Capital Resources

Cash flow analysis

Our statements of cash flows for the three years ended 30 June 2005, 2004 and 2003 are summarised as follows.

	Year ended 30 June		
	2005	**2004**	**2003**
US$ millions			
Net cash inflow from Group operating activities	10,628	6,566	4,834
Dividends received from joint ventures and associates	255	203	197
Net cash (outflow) from returns on investments and servicing of finance	(500)	(332)	(398)
Taxation (payments)	(1,695)	(1,337)	(1,002)
Available cash flow	**8,688**	**5,100**	**3,631**
Net cash (outflow) from capital expenditure and financial investment	(4,024)	(2,832)	(2,355)
Net cash inflow / (outflow) from acquisitions and disposals	(5,879)	179	405
Net cash flow used in investing activities	**(9,903)**	**(2,653)**	**(1,950)**
Equity dividends (paid)	(1,404)	(1,501)	(830)
Net cash inflow / (outflow) from management of liquid resources	998	(178)	(665)
Net cash inflow / (outflow) from debt and finance leases	3,757	(835)	(458)
Share repurchase scheme BHP Billiton Limited	(1,792)		
Net cash inflow from equity financing	19	51	146
Net cash flow from financing, liquid resources and dividends	**1,578**	**(2,463)**	**(1,807)**
(Decrease) / increase in cash in the financial year	**363**	**(16)**	**(126)**

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Available cash flow increased by US$3,588 million, or 70.4%, to US$8,688 million in 2004-2005 from US$5,100 million in 2003-2004. The key components of this increase were increased cash generated from operating activities (mainly due to higher profits) in 2004-2005 compared to 2003-2004, partly offset by increased taxation payments of US$358 million in 2004-2005 compared to 2003-2004.

Available cash flow increased by US$1,469 million, or 40.5%, to US$5,100 million in 2003-2004 from US$3,631 million in 2002-2003. The key components of this increase were increased cash generated from operating activities (mainly due to higher profits) in 2003-2004 compared to 2002-2003, partly offset by increased taxation payments in 2003-2004 compared to 2002-2003.

Capital expenditure and financial investment was a key component of our cash flow used in investing activities in 2004-2005. Expenditure on growth projects and investments amounted to US$10,467 million, including US$6,594 million on the acquisition of WMC, US$845 million on petroleum projects and US$1,869 million on mineral projects. Sustaining and maintenance capital expenditure was US$1,159 million. Proceeds on the disposal of subsidiaries and operations were US$563 million.

Capital expenditure and financial investment was the key component of our cash flow used in investing activities in 2003-2004. Expenditure on growth projects and investments amounted to US$1,698 million, including US$821 million on petroleum projects and US$877 million on minerals and other corporate projects. Sustaining and maintenance capital expenditure was US$926 million.

Our Board has approved 10 major projects over the past year (major projects being those involving budgeted capital expenditure of more than US$100 million), with an aggregated budget of approximately US$5.4 billion that are under development as at 30 June 2005. Actual capital expenditure for these projects may be higher if costs increase beyond the amounts budgeted. We have recently reviewed the budget of the Ravensthorpe Nickel and Yabulu Extension projects, following which we have revise the budgets for these projects upwards by US$290 million and US$110 million respectively. The following tables summarise the approved projects:

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Projects approved during 2004-2005

Customer Sector Group	Project	Projected Capacity (1)	Budgeted capital expenditure (US$ million) (1)	Target date for initial production (2)
Petroleum	Neptune (US) BHP Billiton 35% share	50,000 barrels of oil and 50 million cubic feet of gas per day (100%)	300	End 2007
Petroleum	North West Shelf 5th Train (Australia) BHP Billiton 16.7% share	LNG processing capacity 4.2 million tonnes per annum (100%)	250	Late 2008
Base Metals	Spence (Chile) BHP Billiton 100% share	200,000 tonnes per annum of copper cathode	990	Q4 2006
Carbon Steel Materials	WA Iron Ore Rapid Growth Project 2 (Australia) BHP Billiton 85% share	Increase system capacity to 118 million tonnes per annum (100%)	489	H2 2006
			2,029	

Projects currently under development (approved in prior years)

Customer Sector Group	Project	Projected Capacity (1)	Budgeted capital expenditure (US$ million) (1)	Target date for initial production (2)
Petroleum	Atlantis South (US) BHP Billiton 44% share	200,000 barrels of oil and 180 million cubic feet of gas per day (100%)	1,115	Q3 2006
Aluminium	Worsley Development Capital		165	Q1 2006

	Projects (Australia) BHP Billiton 86% share	250,000 tonnes per annum of alumina (100%)		
Base Metals	Escondida Norte (Chile) BHP Billiton 57.5% share	Maintain capacity at 1.25 million tonnes per annum of copper (100%)	230	Q4 2005
Base Metals	Escondida Sulphide Leach (Chile) BHP Billiton 57.5% share	180,000 tonnes per annum of copper cathode (100%)	500	H2 2006
Stainless Steel Materials	Ravensthorpe Nickel (Australia) BHP Billiton 100% share	Up to 50,000 tonnes per annum of contained nickel in concentrate	1,050(3)	Q2 2007
Stainless Steel Materials	Yabulu Extension (Australia) BHP Billiton 100% share	45,000 tonnes per annum of nickel	350(3)	End 2007
			3,410	

(1) All references to budgeted capital expenditure and capacity are the BHP Billiton Group s share unless noted otherwise.
(2) References to quarters and half years are based on calendar years.
(3) Budgeted project costs have recently been reviewed and forecast costs have been revised to US$1,340 million for Ravensthorpe and US$460 million for Yabulu.

During 2004-2005, we completed 8 projects, reflecting total capital expenditure of approximately US$1,786 million, slightly more than the budgeted cost of US$1,762 million.

Net debt and sources of liquidity

Our policies on debt and treasury management are as follows:

Commitment to a solid A credit rating;

Cash flow positive before dividends, debt service and any share buybacks, excluding cash effects of major acquisitions;

Target a minimum interest cover ratio of eight times over the commodity cycle;

Maintain net gearing (net debt/net debt + net assets) of 35-40 %;

Flexibility from diversification of funding sources; and

Generally maintain borrowings and excess cash in US dollars.

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Interest rate risk on our outstanding borrowings and investments is managed as part of the Portfolio Risk Management strategy. Refer to note 29 Financial Instruments in the 2005 BHP Billiton Group Annual Financial Statements for more details on our Portfolio Risk Management strategy. When required under this strategy, we use 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 designated as hedging instruments.

Net debt at 30 June 2005 was US$9.7 billion, an increase of US$4.7 billion for the year. This increase primarily related to borrowings incurred to fund the acquisition of WMC. Net debt at 30 June 2004 was US$5.0 billion, a decrease of US$1.0 billion for that year. Our gearing level was 35.7% at 30 June 2005, compared with 25.7% at 30 June 2004 and 31.7% at 30 June 2003.

The ratio of current assets (excluding debtors due after one year) to creditors due within one year, which represents amounts falling due within one year, was 87.0% at 30 June 2005 compared with 135% at 30 June 2004 and 126% at 30 June 2003. This decrease is primarily due to the additional debt which was drawn down to fund the acquisition of WMC.

Cash at bank and in hand less overdrafts at 30 June 2005 was US$901 million compared with US$541 million at 30 June 2004 and US$566 million at 30 June 2003. In addition, we had money market deposits at 30 June 2005 of US$502 million compared with US$1,144 million at 30 June 2004 and US$965 million at 30 June 2003.

The maturity profile of our debt obligations is set forth under Tabular Disclosure of Contractual Obligations below. The following table sets forth the maturity profile of our undrawn committed facilities as at 30 June 2005 and 2004:

	Undrawn committed facilities as at 30 June	
	2005	**2004**
	(US$ millions)	
Expiring in one year or less		1,250
Expiring in more than two years	5,500	1,250
	5,500	2,500

In September 2004, our 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 is available for general corporate purposes) was increased to US$3.0 billion. As at 30 June 2005 this facility was undrawn.

In March 2005, we established a new US$5.5 billion acquisition finance facility with a syndicate of banks to finance the WMC acquisition. This facility has a US$3.0 billion 18 month tranche and a US$2.5 billion 5 year tranche. At 30 June 2005, the US$3.0 billion tranche was fully drawn.

The interest rates of these facilities are based on an interbank rate plus a margin. The applicable margin is typical for a credit facility extended to a company with our credit rating. A negative pledge applies to both credit facilities and there are no financial covenants.

In October 2004, Moody s Investors Service (Moody s) upgraded our long term credit rating from A2 to A1 (the short term rating is P-1). As a result of the announcement of the takeover of WMC in March 2005, Moody s changed the Group s outlook to developing from stable. On the successful acquisition of control of WMC in June 2005, Moody s changed the Group s outlook from developing back to stable. Standard & Poor s made no change to the Group s outlook or rating which remained at A+ (the short term rating is A-1).

In addition to the foregoing, the following are details of recent activities in relation to our funding facilities:

We issued our inaugural Eurobond under the Euro Medium Term Note (EMTN) programme in October 2002. The issue of Euro750 million five-year notes was swapped back to US dollars;

In April 2003, we issued our inaugural global bond of US$850 million aggregate principal amount of 4.80% notes, with a ten-year maturity;

We increased the maximum amount of our EMTN programme to US$2.0 billion in May 2003;

In February 2003, we established a US$2 billion US commercial paper programme and in June 2003 carried out the first issue from the programme;

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In June 2005, we increased our US dollar commercial paper programme limit from US$2.0 billion to US$3.0 billion.

None of our general borrowing facilities are subject to financial covenants. Certain specific financing facilities in relation to specific businesses are the subject of financial covenants which vary from facility to facility but which would be considered normal for such facilities.

Capital management

On 18 August 2004, we announced our intention to return up to US$2 billion of capital to shareholders. On 23 November 2004, the first phase of the programme was completed with an off-market share buy-back of 180.72 million BHP Billiton Limited shares. The total amount of capital repurchased by BHP Billiton under the buy-back was US$1.780 billion, representing 2.9% of the issued share capital of the BHP Billiton Group (4.8% of BHP Billiton Limited). The final price for the buy-back was A$12.57 per share, representing a discount of 12% to the volume weighted average price of BHP Billiton Limited shares over the 5 days up to and including the closing date of the buy-back. US and Canadian shareholders and ADR holders were ineligible to participate in the buy-back. The balance of the US$2 billion was returned to shareholders in the form of a higher interim dividend for the first half of 2004-2005.

C. Research and Development, Patents and Licences, etc

Relevant information regarding research and development, patents and licences, etc is discussed for the BHP Billiton Group in Item 4B Information on the Company Diamonds and Specialty Products Technology .

D. Trend Information

Relevant industry and market trends are discussed for the BHP Billiton Group as a whole and for each business segment in Item 5A Operating Results .

E. Off-balance Sheet Arrangements

Relevant information in relation to off-balance sheet arrangements, principally contingent liabilities, commitments for capital expenditure and other expenditure, commitments under leases and financial instruments is provided below.

The following discussion describes our material off-balance sheet arrangements at 30 June 2005.

Contingent Liabilities

The following table sets forth our contingent liabilities (not otherwise provided for in the accounts) as of 30 June 2005.

	Contingent liabilities [c]
	US$ millions
Joint ventures (unsecured) Other[a]	104
Subsidiary undertakings (unsecured, including guarantees)	
Performance guarantees[b]	1
Other [a]	155
Total contingent liabilities [a]	260

(a) The BHP Billiton Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance in the normal course of business.

(b) Other contingent liabilities relate predominantly to actual or potential litigation of the Group for which amounts are reasonably estimable but the liability is not probable and therefore the Group has not provided for such amounts at 30 June 2005. The amounts relate to a number of actions against the Group, none of which are individually significant. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been included in the table above. Details of the principal legal claims are set out in note 21 Provisions for liabilities and charges in the 2005 BHP Billiton Group Annual Financial Statements.

(c) For US GAAP reporting purposes, the Group is required to include as contingent liabilities amounts where (1) provisions have been made in the accounts but further amounts are reasonably possible, and (2) additional amounts to the guarantees included above where the probability of a transfer of economic benefits is considered to be remote. Not included in the table above are Group performance guarantees of US$30 million (2004:US$30 million) and US$333 million (2004: US$388 million) in other for which provisions have been included in the Group accounts.

Refer to note 32 Contingent liabilities and note 21 Provisions for liabilities and charges in the 2005 BHP Billiton Group Annual Financial Statements.

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Commitments for Capital Expenditure

Contractual commitments for capital expenditure outstanding at 30 June 2005 amounted to US$2.4 billion. These commitments related mainly to the Petroleum CSG in connection with developments in the Gulf of Mexico (US$0.2 billion); the Aluminium CSG in connection with Worsley (US$0.1 billion) and Suriname (US$0.1 billion); the Base Metals CSG in relation to Spence (US$0.3 billion) and Sulphide Leach (US$0.3 billion) projects; the Carbon Steel Materials CSG in relation to Queensland Coal operations (US$0.2 billion), Western Australian iron ore operations (US$0.3 billion) and Illawarra Coal (US$0.1 billion); and the Stainless Steel Materials CSG in relation to Ravensthorpe and the Yabulu Expansion (US$0.5 billion). Of the total of US$2.4 billion, US$2.3 billion is expected to be expended in the year ending 30 June 2006. We expect that these contractual commitments for expenditure, together with other expenditure and liquidity requirements, will be met from internal cash flow and, to the extent necessary, from the existing facilities described under Liquidity and Capital Resources above or new facilities on similar terms.

Refer to note 26 Commitments in the 2005 BHP Billiton Group Annual Financial Statements.

Commitments for Other Expenditure

Contractual commitments for other expenditure outstanding at 30 June 2005 amounted to US$4.0 billion. These commitments relate mainly to supply of goods and services (US$3.4 billion), royalty payments (US$0.1 billion), exploration expenditure (US$0.3 billion) and chartering costs (US$0.2 billion). We expect that these contractual commitments for expenditure, together with other expenditure and liquidity requirements, will be met from internal cash flow and, to the extent necessary, from external sources.

Refer to note 26 Commitments in the 2005 BHP Billiton Group Annual Financial Statements.

Commitments Under Leases

We enter into operating leases as a means of acquiring access to various property, plant and equipment, and we have finance leases which predominantly relate to the dry bulk carrier Iron Yandi, power lines, mobile equipment and vehicles. The following table sets forth our lease obligations as of 30 June 2005 broken down by varying maturities.

	Obligations under operating leases	**Obligations under finance leases**
	(US$ millions)	**(US$ millions)**
Due not later than one year	250	7
Due later than one year and not later than three years	365	16
Due later than three years and not later than five years	197	14
Due later than five years	212	70

Total commitments under leases	1,024	107

Refer to note 26   Commitments   in the 2005 BHP Billiton Group Annual Financial Statements.

Financial Instruments

The following table presents the book values and fair values of our financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm s length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that we could realise in the normal course of business.

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The book value (representing the amounts held on our balance sheet) and fair value of our financial instruments is as follows:

	Book value 2005	Fair value 2005
	US$ millions	
Primary and derivative financial instruments held or issued to finance the BHP Billiton Group s operations		
Short-term borrowings	(3,202)	(3,202)
Long-term borrowings	(8,371)	(8,630)
Cross currency contracts		
Principal	447	423
Interest rate	40	113
Other liabilities to be settled in cash	(4,891)	(4,891)
Interest rate swaps	28	27
Cash and money market deposits	1,418	1,418
Loans to joint ventures and associates	84	84
Current asset investments	212	212
Fixed asset investments (excluding investment in own shares)	98	163
Investment in exploration companies		21
Other assets to be settled in cash	3,804	3,804
Derivative financial instruments held to hedge the BHP Billiton Group s foreign currency transaction and commodity price risks		
Forward commodity contracts		6
Forward foreign currency contracts		40
	(10,333)	(10,412)

For the purposes of the disclosures in the table above, the book value of the foreign currency assets and liabilities is shown excluding the effect of foreign currency hedges, and borrowings are presented excluding the effect of the principal portion of cross currency interest rate swaps.

Refer to note 29 Financial Instruments in the 2005 BHP Billiton Group Annual Financial Statements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations at 30 June 2005 broken down by varying maturities:

(US$ millions)	Bank loans, debentures and other loans	Subsidiary preference shares	Obligations under operating leases	Obligations under finance leases	Capital commitments	Other commitments	Other creditors[1]	Total
Due for payment								

In one year or less or on demand	2,649	450	250	3	2,308	967	4,350	10,977
In more than one year but not more than three years	3,667		365	11	106	1,200	113	5,462
In more than three years but not more than five years	1,224		197	7	4	599		2,032
In more than five years	3,080		212	35		1,239	360	4,925
	10,620	450	1,024	56	2,418	4,005	4,823	23,396

(1) Other creditors represent liabilities deemed to be financial instruments, payable in cash.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In Item 5 under the heading Our Business - External Factors Affecting Our Results we identified our primary market risks. Note 29 to the 2005 BHP Billiton Group Annual Financial Statements provides the quantitative and qualitative information required by Item 11 of Form 20-F, including a description of how we manage our market risks and quantitative information about our market risk sensitive instruments outstanding at June 30, 2005.

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ITEM 18. FINANCIAL STATEMENTS

The financial statements are included as the F pages to this annual report. The information set out in these accounts does not constitute the company s statutory accounts for the year ended 30 June 2005 and 2004. Those accounts have been reported on by the company s auditors; their reports were unqualified and did not contain a statement under section 237(2) or (3) of the United Kingdom Companies Act 1985. The accounts for the year ended 30 June 2004 and 30 June 2005 have been delivered to the registrar of companies.

ITEM 19. EXHIBITS

Index to Exhibits filed with this Amendment No. 1

12.1 Certification by Chief Executive Officer, Mr Charles Goodyear, dated 10 November 2005.
12.2 Certification by Chief Financial Officer, Mr Chris Lynch, dated 10 November 2005.
13.1 Certification by Chief Executive Officer, Mr Charles Goodyear, and Chief Financial Officer, Mr Chris Lynch, dated 10 November 2005.

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

Unless otherwise indicated, these financial statements are

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BHP BILLITON GROUP

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2005

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the members of BHP Billiton Plc and BHP Billiton Limited:

We have audited the accompanying consolidated balance sheets of the BHP Billiton Group (comprising BHP Billiton Plc, BHP Billiton Limited and their respective subsidiaries) as of 30 June 2005 and 2004, and the related consolidated profit and loss accounts, consolidated statements of total recognised gains and losses and consolidated statements of cash flows for each of the years in the three year period ended 30 June 2005. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the BHP Billiton Group at 30 June 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three year period ended 30 June 2005 in conformity with accounting principles generally accepted in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States. Information relating to the nature and effect of such differences is presented in Note 34 to the consolidated financial statements.

/s/ KPMG Audit Plc

KPMG Audit Plc
London
3 October 2005

/s/ KPMG

KPMG
Melbourne
3 October 2005

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

Unless otherwise indicated, these financial statements are

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Consolidated Profit and Loss Account

for the year ended 30 June 2005

		2005				
	Notes	Continuing Operations excluding acquisitions and exceptional items	Acquisitions (note 3)	Total Continuing Operations excluding exceptional items	Exceptional items (note 2)	Total
		US$M	US$M	US$M	US$M	US$M
Turnover (including share of joint ventures and associates)						
Group production		**24 611**	**248**	**24 859**		**24 859**
Third party products	4	**6 945**		**6 945**		**6 945**
	4,5	**31 556**	**248**	**31 804**		**31 804**
less Share of joint ventures and associates turnover included above	4,5	**(2 217)**		**(2 217)**		**(2 217)**
Group turnover	5	**29 339**	**248**	**29 587**		**29 587**
Net operating costs [(a)]	7	**(20 992)**	**(213)**	**(21 205)**	**(79)**	**(21 284)**
Group operating profit/(loss)		**8 347**	**35**	**8 382**	**(79)**	**8 303**
Share of operating profit of joint ventures and associates	4,5,15	**799**		**799**		**799**
Operating profit/(loss) (including share of operating profit of joint ventures and associates)		**9 146**	**35**	**9 181**	**(79)**	**9 102**
Comprising:						
Group production		**9 032**	**35**	**9 067**	**(79)**	**8 988**
Third party products	4	**114**		**114**		**114**
		9 146	**35**	**9 181**	**(79)**	**9 102**
Income from other fixed asset investments		**37**		**37**		**37**
Profit on sale of fixed assets		**112**		**112**	**56**	**168**
Profit on sale of operations					**242**	**242**
Loss on termination of operations	2				**(387)**	**(387)**
Loss on sale of Discontinued Operations	2					

Profit/(loss) before net interest and similar items payable and taxation	4,5	**9 295**	**35**	**9 330**	**(168)**	**9 162**
Net interest and similar items payable						
Group	8			**(383)**		**(383)**
Joint ventures and associates	4,8			**(38)**		**(38)**
Profit/(loss) before taxation	4,5			**8 909**	**(168)**	**8 741**
Taxation	10			**(2 215)**	**104**	**(2 111)**
Profit/(loss) after taxation				**6 694**	**(64)**	**6 630**
Equity minority interests				**(182)**	**(50)**	**(232)**
Profit/(loss) for the financial year (attributable profit)				**6 512**	**(114)**	**6 398**
Dividends to shareholders	11			**(1 695)**		**(1 695)**
Retained profit/(loss) for the financial year	24			**4 817**	**(114)**	**4 703**
Earnings per ordinary share (basic) (US cents)	12			**106**	**(2)**	**104**
Earnings per ordinary share (diluted) (US cents)	12			**106**	**(2)**	**104**
Dividend per ordinary share (US cents)	11					**28.0**

(a) Exceptional items include US$50 million of net operating costs relating to the acquisition of WMC Resources Ltd. Refer note 2.

The accompanying notes form part of these financial statements.

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

Unless otherwise indicated, these financial statements are

presented in US dollars and prepared in accordance with UK GAAP

Consolidated Profit and Loss Account continued

for the year ended 30 June 2004

		2004		
	Notes	Continuing Operations excluding exceptional items	Exceptional items (note 2)	Total
		US$M	US$M	US$M
Turnover (including share of joint ventures and associates)				
Group production		18 283		18 283
Third party products	4	6 660		6 660
	4,5	24 943		24 943
less Share of joint ventures and associates turnover included above	4,5	(2 056)		(2 056)
Group turnover	5	22 887		22 887
Net operating costs [(a)]	7	(17 960)	66	(17 894)
Group operating profit/(loss)		4 927	66	4 993
Share of operating profit of joint ventures and associates	4,5,15	425		425
Operating profit/(loss) (including share of operating profit of joint ventures and associates)		5 352	66	5 418
Comprising:				
Group production		5 319	66	5 385
Third party products	4	33		33
		5 352	66	5 418
Income from other fixed asset investments		35		35
Profit on sale of fixed assets		95		95
Profit on sale of operations		6		6
Loss on termination of operations	2		(534)	(534)
Loss on sale of Discontinued Operations	2			
Profit/(loss) before net interest and similar items payable and taxation	4,5	5 488	(468)	5 020
Net interest and similar items payable				

Group	8	(407)		(407)
Joint ventures and associates	4,8	(95)		(95)
Profit/(loss) before taxation	4,5	4 986	(468)	4 518
Taxation	10	(1 379)	337	(1 042)
Profit/(loss) after taxation		3 607	(131)	3 476
Equity minority interests		(97)		(97)
Profit/(loss) for the financial year (attributable profit)		3 510	(131)	3 379
Dividends to shareholders	11	(1 617)		(1 617)
Retained profit/(loss) for the financial year	24	1 893	(131)	1 762
Earnings per ordinary share (basic) (US cents)	12	56	(2)	54
Earnings per ordinary share (diluted) (US cents)	12	56	(2)	54
Dividend per ordinary share (US cents)	11			26.0

The accompanying notes form part of these financial statements.

BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

Unless otherwise indicated, these financial statements are

presented in US dollars and prepared in accordance with UK GAAP

Consolidated Profit and Loss Account continued

for the year ended 30 June 2003

		2003		
	Notes	Continuing Operations excluding exceptional items	Exceptional items (note 2)	Total
		US$M	US$M	US$M
Turnover (including share of joint ventures and associates)				
Group production		14 124		14 124
Third party products	4	3 382		3 382
	4,5	17 506		17 506
less Share of joint ventures and associates turnover included above	4,5	(1 898)		(1 898)
Group turnover	5	15 608		15 608
Net operating costs [(a)]	7	(12 554)		(12 554)
Group operating profit/(loss)		3 054		3 054
Share of operating profit of joint ventures and associates	4,5,15	358		358
Operating profit/(loss) (including share of operating profit of joint ventures and associates)		3 412		3 412
Comprising:				
Group production		3 361		3 361
Third party products	4	51		51
		3 412		3 412
Income from other fixed asset investments		16		16
Profit on sale of fixed assets		46		46
Profit on sale of operations		7		7
Loss on termination of operations	2			
Loss on sale of Discontinued Operations	2		(19)	(19)
Profit/(loss) before net interest and similar items payable and taxation	4,5	3 481	(19)	3 462
Net interest and similar items payable				
Group	8	(444)		(444)
Joint ventures and associates	4,8	(93)		(93)

Profit/(loss) before taxation	4,5	2 944	(19)	2 925
Taxation	10	(984)		(984)
Profit/(loss) after taxation		1 960	(19)	1 941
Equity minority interests		(40)		(40)
Profit/(loss) for the financial year (attributable profit)		1 920	(19)	1 901
Dividends to shareholders	11	(900)		(900)
Retained profit/(loss) for the financial year	24	1 020	(19)	1 001
Earnings per ordinary share (basic) (US cents)	12	31		31
Earnings per ordinary share (diluted) (US cents)	12	31		31
Dividend per ordinary share (US cents)	11			14.5

The accompanying notes form part of these financial statements.

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

Unless otherwise indicated, these financial statements are

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Consolidated Statement of Total Recognised Gains and Losses

for the years ended 30 June 2005, 2004 and 2003

	Group			Joint ventures and associates			Total		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**	**2005**	**2004**	**2003**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Attributable profit for the financial year [a]	**5 834**	3 156	1 737	**564**	223	164	**6 398**	3 379	1 901
Exchange gains on foreign currency net investments [b]	**7**	48	67				**7**	48	67
Total recognised gains for the financial year	**5 841**	3 204	1 804	**564**	223	164	**6 405**	3 427	1 968
Prior year adjustment arising from the change in accounting policy in 2004		84						84	
Total recognised gains since last annual report	**5 841**	3 288	1 804	**564**	223	164	**6 405**	3 511	1 968

(a) Included in joint ventures and associates attributable profit is a profit of US$nil (2004: US$nil; 2003: US$25 million) relating to associated companies.

(b) Exchange gains on foreign currency net investments include net exchange gains on designated foreign currency borrowings, which hedge overseas investments, of US$nil (2004: US$nil; 2003: US$7 million) and associated tax expense of US$nil (2004: US$nil; 2003: US$2 million).

The accompanying notes form part of these financial statements.

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

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Consolidated Balance Sheet

as at 30 June 2005 and 2004

	Notes	2005	2004
		US$M	US$M
Fixed assets			
Intangible assets			
Goodwill	13	**17**	34
		17	34
Tangible assets	14	**30 347**	20 945
Investments			
Joint ventures - share of gross assets		**2 810**	2 951
Joint ventures - share of gross liabilities		**(1 285)**	(1 582)
	15	**1 525**	1 369
Loans to joint ventures and other investments	15	**182**	361
Total fixed assets		**32 071**	22 709
Current assets			
Stocks	16	**2 568**	1 760
Debtors			
Amounts due within one year	17	**3 611**	2 924
Amounts due after more than one year	17	**2 068**	1 482
		5 679	4 406
Investments	18	**212**	167
Cash including money market deposits	28	**1 418**	1 818
Total current assets		**9 877**	8 151
Creditors - amounts falling due within one year	19	**(8 994)**	(4 935)
Net current assets		**883**	3 216
Total assets less current liabilities		**32 954**	25 925
Creditors - amounts falling due after more than one year	20	**(8 555)**	(5 987)
Provisions for liabilities and charges	21	**(6 910)**	(5 558)

Net assets		**17 489**	14 380
Equity minority interests		**(336)**	(342)
Attributable net assets		**17 153**	14 038
Capital and reserves			
Called up share capital - BHP Billiton Plc nominal value US$0.50 each (2004: US$0.50); 3 000 000 000 authorised (2004: 3 000 000 000); 531 852 998 unissued (2004: 531 852 998)	22	**1 234**	1 234
Share premium account	24	**518**	518
Contributed equity - BHP Billiton Limited 3 587 977 615 issued (2004: 3 759 487 555)	22	**1 611**	1 851
Profit and loss account	24	**13 798**	10 461
Interest in shares of BHP Billiton	25	**(8)**	(26)
Equity shareholders funds	25	**17 153**	14 038

The accompanying notes form part of these financial statements.

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

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Consolidated Statement of Cash Flows

for the years ended 30 June 2005, 2004 and 2003

	Notes	2005	2004 [b]	2003 [b]
		US$M	US$M	US$M
Net cash inflow from Group operating activities [a]		**10 628**	6 566	4 834
Dividends received from joint ventures and associates		**255**	203	197
Interest paid		**(353)**	(347)	(383)
Dividends paid on redeemable preference shares		**(25)**	(23)	(28)
Interest received		**79**	78	36
Other dividends received		**37**	35	15
Dividends paid to equity minority interests		**(238)**	(75)	(38)
Net cash outflow from returns on investments and servicing of finance		**(500)**	(332)	(398)
Taxation paid		**(1 695)**	(1 337)	(1 002)
Available cash flow		**8 688**	5 100	3 631
Purchases of tangible fixed assets		**(3 831)**	(2 589)	(2 571)
Exploration expenditure		**(533)**	(454)	(348)
Disposals of tangible fixed assets		**155**	157	99
Purchase of investments and funding of joint ventures		**(42)**	(35)	(95)
Sale of investments and repayments by joint ventures [c]		**227**	89	560
Net cash outflow from capital expenditure and financial investment		**(4 024)**	(2 832)	(2 355)
Investment in subsidiaries		**(6 594)**		
Cash acquired from investment in subsidiaries		**40**		
Disposal or sale of subsidiaries and operations		**563**	53	358
Cash transferred on disposal or sale of subsidiaries and operations		**(90)**	(5)	(86)
Disposal of joint ventures and associates		**202**	131	133
Net cash (outflow)/inflow from acquisitions and disposals		**(5 879)**	179	405
Net cash flow before equity dividends paid, management of liquid resources and financing		**(1 215)**	2 447	1 681
Equity dividends paid		**(1 404)**	(1 501)	(830)
Net cash flow before management of liquid resources and financing		**(2 619)**	946	851

Net cash inflow/(outflow) from management of liquid resources	28	**998**	(178)	(665)
Finance lease obligations		**(22)**	(9)	
Debt due within one year repayment of loans		**(1 933)**	(854)	(2 718)
Debt due within one year drawdowns		**2 651**	256	1 435
Debt due after more than one year repayment of loans		**(42)**	(482)	(1 438)
Debt due after more than one year drawdowns		**3 103**	254	2 263
Net cash inflow/(outflow) from debt and finance leases		**3 757**	(835)	(458)
Share repurchase scheme - BHP Billiton Plc				(20)
Share repurchase scheme - BHP Billiton Limited		**(1 792)**		
Purchase of shares by ESOP trusts		**(47)**	(25)	(6)
Issue of shares		**66**	76	172
Net cash inflow/(outflow) from financing		**1 984**	(784)	(312)
Increase/(decrease) in cash in the financial year		**363**	(16)	(126)

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

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Consolidated Statement of Cash Flows continued

for the years ended 30 June 2005, 2004 and 2003

	Notes	2005	2004 [(b)]	2003 [(b)]
		US$M	US$M	US$M
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash in the financial year		**363**	(16)	(126)
Net cash flow from debt and finance leases		**(3 757)**	835	458
Net cash flow from management of liquid resources		**(998)**	178	665
(Increase)/decrease in net debt arising from cash flows		**(4 392)**	997	997
Money market deposits and loans acquired with subsidiaries		**(381)**		
Loans transferred on disposal of operations		**48**		
Other non-cash movements	28		(31)	232
Increase in net debt from exchange adjustments	28	**(18)**	(104)	(146)
(Increase)/decrease in net debt		**(4 743)**	862	1 083
Net debt at beginning of the financial year	28	**(4 965)**	(5 827)	(6 910)
Net debt at end of the financial year	28	**(9 708)**	(4 965)	(5 827)

(a) Net cash inflow from Group operating activities

	2005	2004	2003
	US$M	US$M	US$M
Group operating profit	**8 303**	4 993	3 054
Depreciation and amortisation	**1 952**	1 751	1 648
Impairment of assets	**16**	116	73
Employee share awards	**116**	96	70
Net exploration charge (excluding impairment of assets)	**353**	284	248
Increase in stocks	**(393)**	(356)	(250)
Increase in debtors	**(631)**	(734)	(286)
Increase in creditors	**711**	365	104
Increase in provisions	**199**	48	128
Other items	**2**	3	45
Net cash inflow from Group operating activities	**10 628**	6 566	4 834

(b) Restated refer note 28.
(c) The impact on the BHP Billiton Group s cash flows of the demerger of the BHP Steel business in July 2002 was a cash inflow of US$347 million. This represents US$294 million from the settlement by BHP Steel of intercompany loans, less US$22 million demerger transaction costs paid, which are both included in net cash (outflow)/inflow from acquisitions and disposals, and US$75 million from the sale of the 6 per cent interest in BHP Steel which is included in the sale of investments and repayments by joint ventures.

The accompanying notes form part of these financial statements.

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BHP BILLITON GROUP ANNUAL FINANCIAL STATEMENTS

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Dual Listed Companies Structure and Basis of Preparation of Financial Statements

Merger terms

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

The effect of the DLC merger is that BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) and BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited 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 Plc and BHP Billiton Limited have a common economic interest in both Groups;
- the shareholders of BHP Billiton Plc and BHP Billiton Limited 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 Plc and BHP Billiton Limited 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 Plc and BHP Billiton Limited 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 Plc or BHP Billiton Limited 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 Plc or BHP Billiton Limited 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 Plc or BHP Billiton Limited, any change of ownership of any existing shares or securities of BHP Billiton Plc or BHP Billiton Limited, 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 Plc and one share in BHP Billiton Limited 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

Under UK Generally Accepted Accounting Principles (GAAP), the DLC merger is treated as a business combination because a single economic entity has been formed, even though BHP Billiton Plc and BHP Billiton Limited remain separate legal entities. The consolidated financial statements of BHP Billiton Plc therefore include those of BHP Billiton Limited and its subsidiaries in accordance with the requirements of s227(5) of the Companies Act 1985.

The DLC merger is accounted for using the merger method of accounting in accordance with UK accounting standards as this is its substance. The nature of the DLC merger has resulted in the inclusion of amounts attributable to the shareholders of both BHP Billiton Plc and BHP Billiton Limited in capital and reserves on the balance sheet, and in attributable profit.

The substance of the DLC merger of BHP Billiton Plc and BHP Billiton Limited required that merger accounting was applied in accounting for the combination.

This is because:

- No party has ever been portrayed as either the acquirer or the acquired, either by its own Board or management during the process;
- All the parties to the combination clearly participated, on a consensual basis, in establishing the management structure of and key positions in the combined entity;
- Neither party dominates the other and this has been borne out in practice since the merger;
- Consideration was wholly equity shares in the BHP Billiton Group; and
- Neither set of shareholders retained an interest in the future performance of only part of the combined Group.

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Dual Listed Companies Structure and Basis of Preparation of Financial Statements continued

Subsequent events continue to bear this out:

- The initiation and continuation of the combined BHP Billiton name, logo and trademarks as the approved nomenclature of the merged Group;
- The creation of a new Customer Sector Group segment structure within the BHP Billiton Group reflecting a new approach to management of customer-based groupings of assets, which reflects neither the previous approach of the BHP Billiton Plc Group nor the BHP Billiton Limited Group;
- Continuing Board rationalisation reflecting the equivalence of importance of each party to the merger; and
- No wholesale sale of assets from either side of the business with those assets combined at the time of the merger continuing to be the assets that underpin the BHP Billiton Group presently.

At the date of the merger, the interests of the shareholders of BHP Billiton Plc and BHP Billiton Limited in the BHP Billiton Group were 38.6 per cent and 61.4 per cent respectively. Whilst this might indicate that BHP Billiton Limited would dominate the BHP Billiton Group, BHP Billiton rebuts the UK GAAP presumption of dominance on the grounds that the initial composition of the Board and the formally constituted Committees of the Board indicated that BHP Billiton Plc had a greater degree of influence than its proportion of voting rights would demand, and the Nominations Committee (which comprised two legacy BHP Billiton Limited Directors and two legacy BHP Billiton Plc Directors) effectively blocked the ability of the legacy BHP Billiton Limited Directors to alter the balance of legacy BHP Billiton Limited and BHP Billiton Plc Directors on the Board of the merged Group, at the expense of BHP Billiton Plc.

The Board is of the view that there has clearly been no dominance (or attempts to exert a dominant influence) in practice since the announcement of the merger. Actions since the merger continue to support the view that the substance of the transaction was that of a merger.

BHP Billiton Limited s plans for the business now referred to as BHP Steel were part of a strategy for its entire steel business. This had, prior to the DLC merger, included the spin-off of another part of the steel business, this was OneSteel (in October 2000), and the closure of a major steel works in Australia (in September 1999). BHP Billiton, in making the announcement about its plans for the demerger, did not make this a condition of merger nor was it a related arrangement. The shareholders of BHP Billiton Limited and BHP Billiton Plc were not asked to vote on the BHP Steel demerger at the time of the votes on the DLC merger. This demerger transaction was some way off at the time of merger and was conditional on shareholder votes by both BHP Billiton Limited and BHP Billiton Plc shareholders and the approval by the courts in Australia.

The demerger resulted in the shareholders of both BHP Billiton Plc and BHP Billiton Limited receiving their share of the value of BHP Steel upon demerger (albeit that the shareholders of BHP Billiton Plc received this in the form of a greater share of the remaining BHP Billiton Group and BHP Billiton Limited shareholders received it in the form of shares in BHP Steel). Both shareholder groups enjoyed the economic benefits of ownership of BHP Steel from the consummation of the merger to the date of demerger.

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Unless otherwise indicated, these financial statements are

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Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention (except as discussed under tangible fixed assets below) and in accordance with applicable UK accounting standards, the Statement of Recommended Practice (SORP) Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities issued by the UK Oil Industry Accounting Committee on 7 June 2001 and the United Kingdom Companies Act 1985. The financial statements of the BHP Billiton Group include the combination of BHP Billiton Plc, BHP Billiton Limited 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 minority interests. In preparing the financial statements of the BHP Billiton Group, the effects of transactions between entities within the BHP Billiton Group have been eliminated.

A reconciliation of the major differences between the financial statements prepared under UK Generally Accepted Accounting Principles (GAAP) and those applicable under US GAAP is included in note 34.

The accounting policies have been consistently applied by all entities in the BHP Billiton Group and are consistent with those applied in the prior two years. The accounting policy for employee share awards was changed in the prior year. The impact of the change on the 2003 profit and loss account was immaterial and accordingly this was not restated.

Currency of presentation

All amounts are expressed in US dollars unless otherwise stated.

Acquisitions, disposals and goodwill

On the acquisition of a business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets and liabilities acquired. On the acquisition of a minority interest in a subsidiary undertaking, attributable fair values are recognised in relation to the relevant proportion of the identifiable assets and liabilities of the subsidiary undertaking.

Mineral and petroleum reserves and resources, which can be reliably valued, are recognised in the assessment of fair values on acquisition. Other potential reserves and resources and mineral rights, for which values cannot be reliably determined, are not recognised. Accordingly, goodwill arising on acquisition may include amounts in respect of these items.

Where the fair value of the consideration paid exceeds the fair value of the identifiable assets and liabilities acquired, the difference is treated as purchased goodwill and any excess of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given is treated as negative goodwill. Goodwill arising on acquisitions since 1 July 1998 is capitalised and amortised over its estimated useful economic life. Currently, useful economic lives range between 17 and 20 years. Goodwill and negative goodwill arising on acquisitions prior to 1 July 1998 remain set off against the profit and loss account reserve.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging or crediting the amount of any related goodwill previously taken directly to reserves and/or the unamortised balance of any goodwill capitalised.

Joint ventures

A joint venture 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 management of these ventures is not necessary to create joint control provided that in practice each relevant venturer s consent is required for strategic decisions.

Investments in joint ventures are accounted for using the gross equity method of accounting. Under the gross equity method, the cost of the investment in the venture is adjusted by the BHP Billiton Group s proportionate share of the results of the venture less the amortisation of any attributable goodwill on acquisition.

Joint arrangements

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 entity itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create an entity, such as a joint venture, 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 arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the BHP Billiton Group s interest in the joint arrangement.

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 balance sheet date and the gains or losses on retranslation are included in the profit and loss account, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration which are capitalised in tangible fixed assets.

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Accounting Policies continued

Profit and loss accounts of subsidiaries, joint ventures and joint arrangements which have functional currencies other than US dollars are translated to US dollars at average rates for the relevant reporting period, other than exceptional 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 balance sheet date. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint arrangements, together with differences between their profit and loss accounts translated at average and closing rates, are shown as a movement in reserves and in the consolidated statement of total recognised gains and losses. 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 reserves and in the consolidated statement of total recognised gains and losses.

Turnover

Turnover from the sale of goods 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 the sales revenue is based on the most recently determined estimate of product specifications.

In the case of certain exchange traded commodities, the sales price is determined on a provisional basis at the date of sale; adjustments to the sales price occur based on movements in quoted market prices up to the date of final pricing. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. Fair value of the final sales price adjustment is estimated based on the lower of current and forward market prices.

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

The BHP Billiton Group differentiates sales of Group production from sales of third party products due to the significant difference in profit margin earned on these sales.

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 profit and loss account 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 profit and loss account 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 balance sheet 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 a tangible fixed asset;
- 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 units 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 balance sheet is made, where appropriate, when actual stripping ratios vary from average stripping ratios. Deferral of costs to the balance sheet is not made where ore is expected to be evenly distributed.

Costs, which have previously been deferred to the balance sheet (deferred overburden removal costs), are included in the profit and loss account 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 income generating unit for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the income generating unit as a whole.

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Accounting Policies continued

Research and development expenditure

Expenditure for research is included in the profit and loss account 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.

Net interest cost

Net interest cost is generally expensed as incurred except where it relates to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalised up to the date when the asset is ready for its intended use. The amount of interest 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.

Tangible fixed assets

Valuation

Fixed assets are generally included in the financial statements at historical cost. Prior to the adoption of FRS 15 Tangible Fixed Assets , certain fixed assets had been included in the financial statements at revalued amounts. With effect from 1 July 1998, such valuations were frozen and effectively treated as the cost of the fixed asset and no further revaluations were made.

Fixed assets are assessed to ensure carrying amounts do not exceed estimated recoverable amounts. The assessment of capitalised exploration and evaluation expenditure is described above. For other fixed assets, the carrying amount of each income generating unit is reviewed at least annually to evaluate whether the carrying amount is recoverable. 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 value in use. Value in use is generally 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.

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, depletion and amortisation

The carrying amount of tangible fixed assets (including the original capital expenditure and any subsequent replacement 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 tangible fixed assets 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

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Accounting Policies continued

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

Other

The cost of tangible fixed assets includes financing and other appropriate direct and indirect costs incurred on major capital projects from the commencement of construction until the start of commercial production.

Leases

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 tangible fixed assets at the estimated present value of underlying lease payments.

The corresponding finance lease obligation is included within creditors due within or after more than one year. 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 charged to the profit and loss account 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 investments

Fixed asset investments, other than joint ventures and associates, are stated individually at cost less provisions for impairments.

Current asset investments are valued at the lower of cost and net realisable value and dividends are credited to profit on a receivable basis. Interest is included in the profit and loss account 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.

Stocks

Stocks, 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.

Deferred taxation

Tax-effect accounting is applied in respect of corporation tax and resource rent tax. Deferred tax liabilities, the provision for resource rent tax and deferred tax assets represent the tax effect of timing differences which arise from the recognition in the accounts of items of revenue and expense in periods different to those in which they are taxable or deductible for corporation tax or resource rent tax purposes. Full provision is made, except as follows:

- tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute past earnings exists;

- deferred tax is not recognised on the difference between carrying amounts and fair values 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; and

- deferred tax assets are recognised only where it is more likely than not that they will be recovered.

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

Provision for employee benefits

Provision is made in the accounts for all employee benefits, including on-costs. In relation to industry-based long service leave funds, the BHP Billiton Group s share of debtors and creditors, 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 profit 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

Accounting Policies continued

employee entitlement is recorded as an equal credit to shareholders funds. 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 shareholders funds as Interest in shares of BHP Billiton , 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 ESOP trusts utilised by the BHP Billiton Group to hold shares for employee remuneration schemes are consolidated.

Pension costs 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 profit and loss account so as to allocate the cost systematically over the employees service lives on the basis of independent actuarial advice. This is consistent with 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 balance sheet 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 profit and loss account 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 profit and loss account 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 profit and loss account is measured on the basis of premiums payable.

Decommissioning, site restoration and environmental provisions

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 net interest and similar items payable. 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 profit and loss account 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 unforeseen events gives 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 profit and loss account 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 taken to the profit and loss account 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) taken to the profit and loss account where the anticipated transaction is no longer expected to occur.

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Accounting Policies continued

The premiums paid on interest rate options and foreign currency put and call options are included in debtors 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 turnover and costs during the period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, turnover 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 the financial statements have, unless otherwise indicated, been rounded to the nearest million dollars.

Comparatives

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

Exchange rates

The following exchange rates against the US dollar have been applied in these financial statements.

	Average 2005	Average 2004	Average 2003	As at 30 June 2005	As at 30 June 2004
Australian dollar [(a)]	**0.75**	0.71	0.58	**0.76**	0.69
Brazilian real	**2.73**	2.94	3.31	**2.36**	3.11
Canadian dollar	**1.25**	1.35	1.51	**1.23**	1.35
Chilean peso	**595**	634	718	**579**	637
Colombian peso	**2 454**	2 779	2 804	**2 329**	2 699
South African rand	**6.21**	6.89	9.03	**6.67**	6.27
Euro	**0.79**	0.84	0.96	**0.83**	0.83
UK pound sterling	**0.54**	0.58	0.63	**0.55**	0.56

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

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Notes to Financial Statements continued

1 Principal subsidiaries, joint ventures and joint arrangements

Subsidiary undertakings

The principal subsidiary undertakings (those which principally affect the profit or net assets) of BHP Billiton Plc and BHP Billiton Limited, none of which are held directly by BHP Billiton Plc, are as follows:

Name	**Country of incorporation**	**Principal activity**	**BHP Billiton Group s effective interest 2005**	**2004**
			%	%
BHP Billiton Diamonds Inc	Canada	Diamond mining	**100**	100
BHP Billiton Finance BV	Netherlands	Finance	**100**	100
BHP Billiton Finance Ltd	Australia	Finance	**100**	100
BHP Billiton Finance (USA) Ltd [(a)]	Australia	Finance	**100**	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton Marine and General Insurances Pty Ltd	Australia	Insurance company	**100**	100
BHP Billiton Marketing AG	Switzerland	Marketing and trading	**100**	100
BHP Billiton Marketing Inc	US	Marketing and trading	**100**	100
BHP Billiton Metais SA	Brazil	Alumina refining and aluminium smelting	**100**	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore mining, silver, lead and zinc mining	**100**	100
BHP Billiton Petroleum (Americas) Inc	US	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Australia) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (Bass Strait) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (Deepwater) Inc	US	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (GOM) Inc	US	Hydrocarbons exploration	**100**	100
BHP Billiton Petroleum (North West Shelf) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Billiton Petroleum Great Britain Ltd	UK	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (International Exploration) Pty Ltd	Australia	Hydrocarbons development and production	**100**	100
BHP Billiton Petroleum (Victoria) Pty Ltd	Australia	Hydrocarbons development	**100**	100

BHP Billiton SA Limited	South Africa	Holding and service company	**100**	100
BHP Billiton Tintaya SA	Peru	Copper mining	**99.95**	99.95
BHP Billiton (Trinidad - 2c) Ltd	Canada	Hydrocarbons development	**100**	100
BHP Billiton World Exploration Inc	Canada	Exploration	**100**	100
BHP Canadian Diamonds Company	Canada	Diamond mining	**100**	100
BHP Coal Pty Ltd	Australia	Holding company and coal mining	**100**	100
BHP Copper Inc	US	Holding company and copper mining	**100**	100
BHP Financial Services (UK) Ltd	Guernsey	Finance	**100**	100
BHP Minerals Exploration Inc	US	Holding company	**100**	100
BHP Mitsui Coal Pty Ltd	Australia	Holding company and coal mining	**80**	80
BHP Navajo Coal Company	US	Coal mining	**100**	100
BHP Operations Inc	US	Finance	**100**	100
BHP Petroleum (Pakistan) Pty Ltd	Australia	Hydrocarbons production	**100**	100
BHP Queensland Coal Investments Pty Ltd	Australia	Holding company and coal mining	**100**	100
BHP Billiton Freight Pty Ltd	Australia	Transport services	**100**	100
Billiton Aluminium Australia Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
Billiton Aluminium SA Limited	South Africa	Aluminium smelting	**100**	100
Billiton Coal Australia Pty Ltd	Australia	Coal mining	**100**	100
Billiton Marketing Holding BV	Netherlands	Marketing and trading	**100**	100
Broken Hill Proprietary (USA) Inc	US	Service company	**100**	100
Cerro Matoso SA	Colombia	Nickel mining and ferro-nickel smelting	**99.8**	99.8
Compania Minera Cerro Colorado Limitada	Chile	Copper mining	**100**	100
Compania Minera Riochilex SA	Chile	Copper exploration	**100**	100
Dendrobium Coal Pty Ltd	Australia	Coal mining	**100**	100
Dia Met Minerals Ltd	Canada	Diamond mining	**100**	100
Endeavour Coal Pty Ltd	Australia	Coal mining	**100**	100
Groote Eylandt Mining Co Pty Ltd	Australia	Manganese mining	**60**	60
Illawarra Coal Holdings Pty Ltd	Australia	Coal mining	**100**	100
Ingwe Collieries Limited	South Africa	Coal mining	**100**	100
QNI Pty Ltd	Australia	Holding company	**100**	100
QNI Metals Pty Ltd	Australia	Nickel refining	**100**	100
QNI Resources Pty Ltd	Australia	Nickel refining	**100**	100
Rio Algom Ltd	Canada	Holding company	**100**	100
Samancor AG	Switzerland	Marketing	**60**	60
Samancor Holdings Limited	South Africa	Holding company	**60**	
Samancor Limited [(b)]	South Africa	Manganese mining	**60**	60
San Juan Coal Company	US	Coal mining	**100**	100
San Juan Transportation Company	US	Coal transportation	**100**	100
Southern Cross Fertiliser Pty Ltd (formerly WMC Fertilizers Pty Ltd)	Australia	Fertiliser production	**100**	
Tasmanian Electro Metallurgical Co Pty Ltd	Australia	Manganese alloys	**60**	60

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1 Principal subsidiaries, joint ventures and joint arrangements continued

Subsidiary undertakings (continued)

Name	Country of incorporation	Principal activity	BHP Billiton Group s effective interest 2005	2004
			%	%
WMC (Olympic Dam Corporation) Pty Ltd	Australia	Copper and uranium mining	**100**	
WMC Finance Ltd	Australia	Finance	**100**	
WMC Finance (USA) Ltd	Australia	Finance	**100**	
WMC Resources Ltd	Australia	Nickel mining, smelting and refining and administrative services	**100**	
WMC Resources Marketing Ltd	Canada	Marketing	**100**	

(a) BHP Billiton Finance (USA) Ltd is 100 per cent owned by BHP Billiton Limited. BHP Billiton Limited and BHP Billiton Plc have each fully and unconditionally guaranteed BHP Billiton Finance (USA) Ltd s debt securities.

(b) Under US GAAP Samancor Limited is a variable interest entity.

Joint ventures

The principal joint ventures of the BHP Billiton Group are as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group s effective interest 2005	2004
			%	%

Caesar Oil Pipeline Company LLC	US	Hydrocarbons transportation	**25**	25
Cerrejon Coal Corporation	Colombia	Coal mining	**33**	33
Cleopatra Gas Gathering Company LLC	US	Hydrocarbons transportation	**22**	22
Coal Marketing Company	Ireland	Coal marketing	**33**	33
Hi-Fert Pty Ltd	Australia	Distribution and marketing of fertiliser	**33.3**	
Richards Bay Minerals [(a)]	South Africa	Mineral sands mining and processing	**50**	50
Minera Antamina SA	Peru	Copper and zinc mining	**33.75**	33.75
Integris Metals Inc [(b)]	US	Metals distribution		50
Samarco Mineracao SA	Brazil	Iron ore mining	**50**	50

(a) Richards Bay Minerals comprises two legal entities as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group s effective interest 2005	2004
			%	%
Tisand (Pty) Limited	South Africa	Mineral sands mining	**51**	51
Richards Bay Iron and Titanium (Pty) Limited	South Africa	Production of titanium dioxide slag, zircon and rutile	**49.45**	49.45

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.

(b) Effective January 2005, the BHP Billiton Group sold its interest in Integris Metals Inc. Refer note 15.

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1 Principal subsidiaries, joint ventures and joint arrangements continued

Proportionally included joint arrangements

The principal joint arrangements in which the BHP Billiton Group has an interest and which are proportionally included in the financial statements are as follows:

Name	Country of operation	Principal activity	BHP Billiton Group s effective interest 2005	2004
			%	%
Atlantis	US	Hydrocarbons exploration	**44**	44
Bass Strait	Australia	Hydrocarbons exploration and production	**50**	50
Boris	US	Hydrocarbons exploration and production	**50**	50
Bruce	UK	Hydrocarbons exploration and production	**16**	16
Cascade	US	Hydrocarbons exploration	**50**	50
Chinook	US	Hydrocarbons exploration	**40**	40
Griffin	Australia	Hydrocarbons exploration and production	**45**	45
Gulf of Mexico	US	Hydrocarbons exploration and production	**5-100**	5-100
Keith	UK	Hydrocarbons exploration and production	**31.83**	31.83
Laminaria	Australia	Hydrocarbons exploration and production		25-33
Liverpool Bay	UK	Hydrocarbons exploration and production	**46.1**	46.1
Mad Dog	US	Hydrocarbons exploration and production	**23.9**	23.9
Minerva	Australia	Hydrocarbons exploration and production	**90**	90
Neptune	US	Hydrocarbons exploration	**35**	35
North West Shelf	Australia	Hydrocarbons exploration and production	**8-17**	8-17
Ohanet	Algeria	Hydrocarbons exploration and production	**45**	45
Puma	US	Hydrocarbons exploration	**33.3**	33.3
ROD Integrated Development	Algeria	Hydrocarbons exploration and production	**45**	36.04
Shenzi	US	Hydrocarbons exploration	**44**	44
Trinidad 2c - Angostura	Trinidad & Tobago	Hydrocarbons production	**45**	45
Typhoon	US	Hydrocarbons exploration and production	**50**	50
Zamzama	Pakistan	Hydrocarbons exploration and production	**38.5**	38.5
Alumar	Brazil	- Alumina refining	**36**	36

		- Aluminium smelting	**46.3**	46.3
Billiton Suriname	Suriname	Bauxite mining and alumina refining	**45**	45
Mozal	Mozambique	Aluminium smelting	**47.1**	47.1
Valesul Aluminio	Brazil	Aluminium smelting	**45.5**	45.5
Worsley	Australia	Bauxite mining and alumina refining	**86**	86
Escondida	Chile	Copper mining	**57.5**	57.5
Central Queensland Coal Associates	Australia	Coal mining	**50**	50
Gregory	Australia	Coal mining	**50**	50
Mt Goldsworthy Mining Associates	Australia	Iron ore mining	**85**	85
Mt Newman	Australia	Iron ore mining	**85**	85
Yandi	Australia	Iron ore mining	**85**	85
EKATI	Canada	Diamond mining	**80**	80
Douglas Colliery	South Africa	Coal mining	**84**	84
Middelburg Mine	South Africa	Coal mining	**84**	84
Richards Bay Coal Terminal	South Africa	Coal exporting	**37**	37

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2 Exceptional items

Year ended 30 June 2005	Gross	Tax	Net
	US$M	US$M	US$M
Exceptional 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	108	(6)	102
Restructuring provisions	(79)	23	(56)
Termination of operations	(266)	80	(186)
Closure plans	(121)	17	(104)
Total by category	(168)	104	(64)
Exceptional items by Customer Sector Group			
Petroleum	190	(10)	180
Base Metals	(30)	(4)	(34)
Carbon Steel Materials	(285)	80	(205)
Diamonds and Specialty Products	(6)	1	(5)
Energy Coal	(93)	27	(66)
Stainless Steel Materials	103	(5)	98
Group and unallocated items	(47)	15	(32)
Total by Customer Sector Group	(168)	104	(64)

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$93 million (US$1 million tax expense) after deducting cumulative goodwill of US$67 million previously set off against reserves. 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$56 million (US$4 million tax expense), whilst the minority interest in the profit after tax of the disposal was US$50 million. For the purposes of US GAAP, the disposal of the Chrome operations represented the disposal of a variable interest entity.

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).

Termination of operation

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 costs 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 triggered by various factors including a change in government regulations; and a charge of US$48 million (US$4 million tax expense) in relation to other closed mining operations.

Notes to Financial Statements continued

2 Exceptional items continued

Year ended 30 June 2004	Gross	Tax	Net
	US$M	US$M	US$M
Exceptional items by category			
Introduction of tax consolidation regime in Australia		95	95
Litigation settlement	66	(18)	48
US and Canadian taxation deductions		238	238
Closure plans	(534)	22	(512)
Total by category	(468)	337	(131)
Exceptional 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)	341	299
Total by Customer Sector Group	(468)	337	(131)

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 has chosen 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 an exceptional tax benefit of US$95 million being recorded in accordance with UK GAAP.

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 an exceptional 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 an exceptional 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 recorded a net after-tax exceptional loss of US$512 million.

Year ended 30 June 2003	**Gross**	**Tax**	**Net**
	US$M	**US$M**	**US$M**
Exceptional items by category			
Loss on sale of 6% interest in BHP Steel	(19)		(19)
Total by category	(19)		(19)
Exceptional items by Customer Sector Group			
Discontinued Operations	(19)		(19)
Total by Customer Sector Group	(19)		(19)

Loss on sale of 6 per cent interest in BHP Steel

Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. A 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group s Steel business. This was sold in July 2002 for US$75 million and the loss of US$19 million associated with this sale was recognised in the year ended 30 June 2003 as an exceptional item in relation to Discontinued Operations.

Notes to Financial Statements continued

3 Acquired operations

On 3 June 2005 the BHP Billiton Group obtained control of WMC Resources Ltd (WMC) with acceptances 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 resources 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 streams 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 consist 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 complement 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.

Excluding exceptional items, for the period since acquisition to 30 June 2005, turnover of US$248 million and operating profit of US$35 million are included in the consolidated profit and loss account as continuing operations acquisitions. Including exceptional items of US$50 million for restructuring provisions, the operating loss since acquisition is US$15 million.

Notes to Financial Statements continued

3 Acquired operations continued

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

	Book value	Adjustment for accounting policies	Provisional fair value adjustments	Provisional fair value
	US$M	US$M	US$M	US$M
Tangible fixed assets	**4 428**		**2 708**	**7 136**
Investments	**36**		**(9)**	**27**
Stocks	**520**	**(21)**	**(15)**	**484**
Debtors	**513**		**(183)**	**330**
Cash including money market deposits	**407**		**21**	**428**
Creditors amounts falling due within one year	**(419)**		**48**	**(371)**
Creditors amounts falling due after more than one year	**(1 243)**		**503**	**(740)**
Provisions for liabilities and charges	**(268)**	**(47)**	**250**	**(65)**
Net assets acquired	**3 974**	**(68)**	**3 323**	**7 229**
Total cost of acquisition satisfied by the following consideration:				
Cash paid				**6 594**
Cash payable				**635**
				7 229

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

The material provisional fair value adjustments principally relate to:

Tangible fixed assets reflecting the fair value of mineral assets, together with revaluation for property, plant and equipment representing replacement cost and estimated remaining useful lives.

Investments have been revalued to reflect current market values.

Inventories have been revalued primarily for low grade ore stock.

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.

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.

A number of the revaluation adjustments have resulted in policy alignment with BHP Billiton accounting policies. Additional accounting policy changes arise on the application of UK GAAP 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 policy, 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 BHP Billiton.

Since the acquisition, WMC s cash flows have contributed US$16 million to the Group s net cash inflow from operating activities, US$nil for taxation, US$50 million outflow for capital expenditure and financial investment, US$5 million inflow for liquid resources and US$2 million inflow for financing.

The net operating assets acquired have primarily been allocated to the Base Metals, Stainless Steel Materials and Diamonds and Specialty Products business segments.

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3 Acquired operations continued

The unaudited profit and loss account and statement of total recognised gains and losses of WMC for the period 1 January 2005 to 3 June 2005 prepared in accordance with the accounting policies applicable to WMC for the period prior to acquisition by BHP Billiton, were as follows:

Profit and loss account for the period 1 January 2005 to 3 June 2005

	2005
	US$M
Turnover	**1 268**
Operating profit	**383**
Profit before tax	**394**
Taxation	**(108)**
Profit after taxation	**286**
Equity minority interests	
Dividends to shareholders	**(182)**
Retained profit for the financial period	**104**

Statement of total recognised gains and losses for the period 1 January 2005 to 3 June 2005

	2005
	US$M
Attributable profit for the financial period	**286**
Exchange gains and losses on foreign currency net assets	**2**

Total recognised gains for the financial period	**288**

The amounts included in the tables above are the Australian dollar values of WMC profit and loss amounts and recognised gain and loss amounts converted to US dollars at an average rate for the period of A$1 = US$0.7739.

Profit and loss account 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 that financial year.

Unaudited pro-forma financial information

The following tables summarise the unaudited pro-forma consolidated results of operations of the BHP Billiton Group for the years ended 30 June 2004 and 2005 assuming that the acquisition of WMC occurred as of 1 July in each year. WMC s statutory year end was 31 December. The unaudited pro-forma financial information uses WMC data for the months corresponding to BHP Billiton Group s 30 June year end. This unaudited pro-forma financial information does not necessarily represent what would have occurred if the transaction had taken place on the dates presented and should not be taken as representative of the BHP Billiton Group s future consolidated results of operations or financial position. The integration of WMC into the BHP Billiton Group was not completed at June 2005. Accordingly, this pro-forma financial information does not include all costs related to the integration. We also expect to realise operating synergies. The pro-forma information does not reflect these potential expenses and synergies.

Year ended 30 June 2005	**BHP Billiton**	**Pro-forma adjustments for WMC**	**Pro-forma consolidated entity**
	US$M	**US$M**	**US$M**
Group turnover	**29 587**	**2 851**	**32 438**
Profit/(loss) for the financial year (attributable profit)	**6 398**	**263**	**6 661**
Earnings per share			
Basic earnings per share (US cents)	104.5	0.0	104.5
Diluted earnings per share (US cents)	103.9	0.0	103.9
Basic earnings per ADS (US cents) [(a)]	209.0	0.1	209.1
Diluted earnings per ADS (US cents) [(a)]	207.8	0.1	207.9

Notes to Financial Statements continued

3 Acquired Operations continued

Year ended 30 June 2004	BHP Billiton	Pro-forma adjustments for WMC	Pro-forma consolidated entity
	US$M	US$M	US$M
Group turnover	**22 887**	**2 536**	**25 423**
Profit / (loss) for the financial year (attributable profit)	**3 379**	**25**	**3 404**
Earnings per share			
Basic earnings per share (US cents)	54.3	0.0	54.3
Diluted earnings per share (US cents)	54.1	0.0	54.1
Basic earnings per ADS (US cents) [a]	108.6	0.0	108.6
Diluted earnings per ADS (US cents) [a]	108.2	0.0	108.2

(a) For the periods presented, each American Depositary Share (ADS) represents two ordinary shares.

The pro-forma amounts represent the historical operating results of WMC, reported in accordance with WMC s accounting policies. Adjustments have been made to depreciation and amortisation, interest expense and income taxes to give effect to the acquisition at the dates presented. Non-recurring items have been excluded from the WMC reported pro-forma results of operations. These non-recurring items were tax benefit not previously brought to account of US$169 million (2004: US$124 million) and tax benefit on formation of consolidated tax group of US$127 million (2004: US$nil).

Australian dollar amounts have been converted to US dollars based on a convenience translation using an average rate of A$1 = US$0.7528 for 2005 and A$1 = US$0.7133 for 2004.

The pro-forma adjustments are based on the US dollar purchase price and subsequent allocation of purchase price as at 3 June 2005 and have not been retranslated as at the pro-forma acquisition dates noted above.

Pro-forma adjustments have been made to depreciation and amortisation to reflect the increased charge arising from the allocation of the purchase price to property, plant and equipment and acquired mining rights and to interest expense to reflect the additional borrowings required to fund the acquisition. No pro-forma adjustment has been made to reflect the earnings impact of recognising hedging and financial instruments at their fair value as if the acquisition had occurred on the dates noted above.

The pro-forma amounts are not necessarily indicative of the operating results that would have occurred if the acquisition had been completed at the beginning of the applicable periods presented. The pro-forma adjustments are based upon currently available information and estimates and assumptions. In addition, the pro-forma amounts are not necessarily indicative of operating results in future periods, in which the Group might realise revenue enhancements and costs savings.

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Notes to Financial Statements continued

4 Analysis by business segment

	Turnover	Profit/(loss) before taxation [a]	Net operating assets (note 6)	Depreciation and amortisation	Other significant non-cash items [b]	Capital expenditure
	US$M	US$M	US$M	US$M	US$M	US$M
Group including joint ventures and associates [a]						
Year ended 30 June 2005						
Petroleum	**5 970**	**1 830**	**4 435**	**616**	**6**	**946**
Aluminium	**5 265**	**977**	**5 353**	**252**		**280**
Base Metals [c]	**5 071**	**2 177**	**8 030**	**266**	**1**	**661**
Carbon Steel Materials	**7 606**	**2 821**	**3 698**	**300**		**1 065**
Diamonds and Specialty Products	**1 544**	**417**	**1 806**	**174**		**239**
Energy Coal	**3 390**	**616**	**2 087**	**179**	**9**	**169**
Stainless Steel Materials [d]	**2 274**	**758**	**4 605**	**142**		**444**
Group and unallocated items	**798**	**(266)**	**(433)**	**23**	**116**	**27**
Inter-segment [e]	**(114)**					
Exceptional items		**(168)**			**439**	
Continuing Operations	**31 804**	**9 162**	**29 581**	**1 952**	**571**	**3 831**
Net interest		**(421)**			**168**	
BHP Billiton Group	**31 804**	**8 741**	**29 581**	**1 952**	**739**	**3 831**
Year ended 30 June 2004						
Petroleum	5 558	1 391	4 074	587	11	927
Aluminium	4 432	776	5 309	234		272
Base Metals [c]	3 422	1 156	3 272	255		215
Carbon Steel Materials	4 857	1 137	3 175	226	2	662
Diamonds and Specialty Products	1 710	410	1 568	123	29	188
Energy Coal	2 569	234	2 194	189	67	141
Stainless Steel Materials	1 749	571	1 823	101	4	151
Group and unallocated items	725	(187)	291	36	99	33
Inter-segment [e]	(79)					
Exceptional items		(468)			468	
Continuing Operations	24 943	5 020	21 706	1 751	680	2 589
Net interest		(502)			239	

BHP Billiton Group	24 943	4 518	21 706	1 751	919	2 589
Year ended 30 June 2003						
Petroleum	3 264	1 178	3 293	549	50	861
Aluminium	3 386	581	5 095	233		462
Base Metals [c]	1 954	286	3 877	257	(2)	201
Carbon Steel Materials	3 714	1 045	2 622	192	7	479
Diamonds and Specialty Products	1 485	299	1 518	105		101
Energy Coal	2 089	198	2 193	177	2	300
Stainless Steel Materials	1 106	150	1 695	96	10	121
Group and unallocated items	549	(256)	418	39	76	46
Inter-segment [e]	(41)					
Exceptional items						
Continuing Operations	17 506	3 481	20 711	1 648	143	2 571
Discontinued Operations		(19)				
Net interest		(537)			237	
BHP Billiton Group	17 506	2 925	20 711	1 648	380	2 571

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Notes to Financial Statements continued

4 Analysis by business segment continued

	External turnover			Profit/(loss) before taxation			Net operating assets (note 6)		Net assets	
	2005	**2004**	**2003**	**2005**	**2004**	**2003**	**2005**	**2004**	**2005**	**2004**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Joint ventures and associates [f]										
Petroleum	**3**						**112**	97	**112**	98
Aluminium										
Base Metals [c]	**583**	389	432	**308**	104	61	**675**	719	**390**	212
Carbon Steel Materials	**429**	329	244	**184**	102	80	**422**	369	**336**	286
Diamonds and Specialty Products	**778**	1 041	1 005	**112**	106	170	**345**	601	**139**	250
Energy Coal	**416**	283	204	**194**	115	45	**639**	651	**547**	519
Stainless Steel Materials	**8**	6	13	**1**		2	**1**	4	**1**	4
Group and unallocated items		8			(2)			25		
Continuing Operations	**2 217**	2 056	1 898	**799**	425	358	**2 194**	2 466	**1 525**	1 369
Net interest				**(38)**	(95)	(93)				
BHP Billiton Group	**2 217**	2 056	1 898	**761**	330	265	**2 194**	2 466	**1 525**	1 369

	External turnover			Profit/(loss) before taxation		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Third party products included above [g]						
Petroleum	**1 955**	2 286	296	**14**	(22)	1
Aluminium	**2 057**	1 823	1 333	**21**	11	28
Base Metals	**698**	335	38	**(11)**	(4)	5
Carbon Steel Materials	**247**	102	26	**14**	(9)	(2)
Diamonds and Specialty Products	**523**	829	747	**22**	29	10
Energy Coal	**672**	554	413	**54**	21	7
Stainless Steel Materials	**9**	47	10		7	1
Group and unallocated items	**784**	684	519			1

	6 945	6 660	3 382	**114**	33	51

(a) Before minority interests. Depreciation and amortisation, other significant non-cash items and capital expenditure represent the Group excluding joint ventures and associates.

(b) Other significant non-cash items comprise impairment of assets, non-cash exceptional items, employee share awards, exchange differences on net debt and discounting on provisions and other liabilities.

(c) Includes turnover attributable to associates of US$nil (2004: US$nil; 2003: US$94 million) and operating profit attributable to associates of US$nil (2004: US$nil; 2003: US$29 million).

(d) The Chrome operations contributed external turnover and profit before taxation for the current year of US$842 million and US$102 million, respectively.

(e) It is the BHP Billiton Group s policy that inter-segment sales are made on a commercial basis.

(f) Total turnover of joint ventures and associates does not include any inter-segment turnover.

(g) Turnover from third party products includes sales of freight capacity.

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5 Analysis by geographical segment

	Group			Joint ventures and associates			Total		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**	**2005**	**2004**	**2003**
	US$M	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**	**US$M**
Analysis by geographical market									
Turnover									
Continuing Operations									
Australia	**2 637**	1 857	1 769	**5**	17	6	**2 642**	1 874	1 775
Europe	**9 825**	8 515	5 136	**633**	426	446	**10 458**	8 941	5 582
Japan	**3 620**	2 675	2 269	**119**	132	124	**3 739**	2 807	2 393
South Korea	**1 876**	1 538	1 149	**12**	60	54	**1 888**	1 598	1 203
China	**3 628**	2 239	1 069	**368**	193	147	**3 996**	2 432	1 216
Other Asia	**2 100**	1 512	1 096	**107**	71	76	**2 207**	1 583	1 172
North America	**2 092**	1 765	1 452	**750**	1 017	937	**2 842**	2 782	2 389
Southern Africa	**1 584**	1 344	918	**20**	19	26	**1 604**	1 363	944
Rest of World	**2 225**	1 442	750	**203**	121	82	**2 428**	1 563	832
Total by geographical market	**29 587**	22 887	15 608	**2 217**	2 056	1 898	**31 804**	24 943	17 506
Analysis by geographical origin									
Turnover									
Continuing Operations									