Section 9
Financial Statements

Contents

	page
Consolidated Income Statement	191
Consolidated Statement of Comprehensive Income	192
Consolidated Balance Sheet	193
Consolidated Cash Flow Statement	194
Consolidated Statement of Changes in Equity	195
Notes to Financial Statements	196
BHP Billiton Plc	262
Directors' declaration	266
Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements	267
Lead Auditor's Independence Declaration	268
Independent Auditors' Reports	269
Supplementary oil and gas information – unaudited	272

Notes to Financial Statements

		page
1	Accounting policies	196
2	Segment reporting	204
3	Exceptional items	208
4	Other income	211
5	Expenses	211
6	Net finance costs	212
7	Income tax and deferred tax	212
8	Earnings per share	215
9	Dividends	216
10	Trade and other receivables	217
11	Other financial assets	218
12	Inventories	218
13	Property, plant and equipment	219
14	Intangible assets	220
15	Trade and other payables	220
16	Interest bearing liabilities	221
17	Other financial liabilities	221
18	Provisions	222
19	Share capital	223
20	Other equity	225
21	Contingent liabilities	226
22	Commitments	227
23	Notes to the consolidated cash flow statement	228
24	Business combinations	229
25	Subsidiaries	230
26	Interests in jointly controlled entities	232
27	Interests in jointly controlled assets	233
28	Financial risk management	234
29	Pension and other post-retirement obligations	244
30	Key Management Personnel	247
31	Related party transactions	251
32	Employee share ownership plans	252
33	Employees	260
34	Auditor's remuneration	260
35	Subsequent events	261
36	BHP Billiton Limited	261

Consolidated Income Statement for the year ended 30 June 2010

	Notes	2010 US$M	2009 US$M	2008 US$M
Revenue				
Group production		**48,193**	44,113	51,918
Third party products	2	**4,605**	6,098	7,555
Revenue	2	**52,798**	50,211	59,473
Other income	4	**528**	589	648
Expenses excluding net finance costs	5	**(33,295)**	(38,640)	(35,976)
Profit from operations		**20,031**	12,160	24,145
Comprising:				
Group production		**19,920**	11,657	24,529
Third party products		**111**	503	(384)
		20,031	12,160	24,145
Financial income	6	**215**	309	293
Financial expenses	6	**(674)**	(852)	(955)
Net finance costs	6	**(459)**	(543)	(662)
Profit before taxation		**19,572**	11,617	23,483
Income tax expense	7	**(6,112)**	(4,784)	(6,798)
Royalty related taxation (net of income tax benefit)	7	**(451)**	(495)	(723)
Total taxation expense	7	**(6,563)**	(5,279)	(7,521)
Profit after taxation		**13,009**	6,338	15,962
Attributable to non-controlling interests		**287**	461	572
Attributable to members of BHP Billiton Group		**12,722**	5,877	15,390
Earnings per ordinary share (basic) (US cents)	8	**228.6**	105.6	275.3
Earnings per ordinary share (diluted) (US cents)	8	**227.8**	105.4	274.8
Dividends per ordinary share – paid during the period (US cents)	9	**83.0**	82.0	56.0
Dividends per ordinary share – declared in respect of the period (US cents)	9	**87.0**	82.0	70.0

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2010

	Notes	2010 US$M	2009 US$M	2008 US$M
Profit after taxation		**13,009**	6,338	15,962
Other comprehensive income				
Actuarial losses on pension and medical schemes		**(38)**	(227)	(96)
Available for sale investments:				
Net valuation gains/(losses) taken to equity		**167**	3	(76)
Net valuation losses transferred to the income statement		**2**	58	–
Cash flow hedges:				
(Losses)/gains taken to equity		**(15)**	710	(383)
Realised losses transferred to the income statement		**2**	22	73
Unrealised gain transferred to the income statement		**–**	(48)	–
Gains transferred to the initial carrying amount of hedged items		**–**	(26)	(190)
Exchange fluctuations on translation of foreign operations taken to equity		**1**	27	(21)
Exchange fluctuations on translation of foreign operations transferred to the income statement		**(10)**	–	–
Tax recognised within other comprehensive income	7	**111**	(253)	306
Total other comprehensive income		**220**	266	(387)
Total comprehensive income		**13,229**	6,604	15,575
Attributable to non-controlling interests		**294**	458	571
Attributable to members of BHP Billiton Group		**12,935**	6,146	15,004

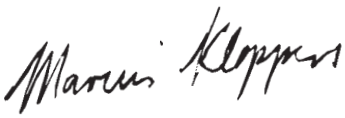
The accompanying notes form part of these financial statements.

Consolidated Balance Sheet as at 30 June 2010

	Notes	2010 US$M	2009 US$M
ASSETS			
Current assets			
Cash and cash equivalents	23	**12,456**	10,833
Trade and other receivables	10	**6,543**	5,153
Other financial assets	11	**292**	763
Inventories	12	**5,334**	4,821
Assets held for sale	3	**–**	213
Current tax assets		**189**	424
Other		**320**	279
Total current assets		**25,134**	22,486
Non-current assets			
Trade and other receivables	10	**1,381**	762
Other financial assets	11	**1,510**	1,543
Inventories	12	**343**	200
Property, plant and equipment	13	**55,576**	49,032
Intangible assets	14	**687**	661
Deferred tax assets	7	**4,053**	3,910
Other		**168**	176
Total non-current assets		**63,718**	56,284
Total assets		**88,852**	78,770
LIABILITIES			
Current liabilities			
Trade and other payables	15	**6,467**	5,619
Interest bearing liabilities	16	**2,191**	1,094
Liabilities held for sale	3	**–**	363
Other financial liabilities	17	**511**	705
Current tax payable		**1,685**	1,931
Provisions	18	**1,899**	1,887
Deferred income		**289**	251
Total current liabilities		**13,042**	11,850
Non-current liabilities			
Trade and other payables	15	**469**	187
Interest bearing liabilities	16	**13,573**	15,325
Other financial liabilities	17	**266**	142
Deferred tax liabilities	7	**4,320**	3,038
Provisions	18	**7,433**	7,032
Deferred income		**420**	485
Total non-current liabilities		**26,481**	26,209
Total liabilities		**39,523**	38,059
Net assets		**49,329**	40,711
EQUITY			
Share capital – BHP Billiton Limited	19	**1,227**	1,227
Share capital – BHP Billiton Plc	19	**1,116**	1,116
Treasury shares	19	**(525)**	(525)
Reserves	20	**1,906**	1,305
Retained earnings	20	**44,801**	36,831
Total equity attributable to members of BHP Billiton Group		**48,525**	39,954
Non-controlling interests		**804**	757
Total equity		**49,329**	40,711

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 7 September 2010 and signed on its behalf by:



Jacques Nasser AO
Chairman

Marius Kloppers
Chief Executive Officer

Consolidated Cash Flow Statement for the year ended 30 June 2010

	Notes	2010 US$M	2009 US$M	2008 US$M
Operating activities				
Profit before taxation		**19,572**	11,617	23,483
Adjustments for:				
Non-cash exceptional items		**(255)**	5,460	137
Depreciation and amortisation expense		**4,759**	3,871	3,612
Exploration and evaluation expense (excluding impairment)		**1,030**	1,009	859
Net gain on sale of non-current assets		**(114)**	(38)	(129)
Impairments of property, plant and equipment, financial assets and intangibles		**35**	190	137
Employee share awards expense		**170**	185	97
Financial income and expenses		**459**	543	662
Other		**(265)**	(320)	(629)
Changes in assets and liabilities:				
Trade and other receivables		**(1,713)**	4,894	(4,255)
Inventories		**(571)**	(116)	(1,313)
Trade and other payables		**565**	(847)	1,824
Net other financial assets and liabilities		**(90)**	(769)	526
Provisions and other liabilities		**(306)**	(497)	137
Cash generated from operations		**23,276**	25,182	25,148
Dividends received		**20**	30	51
Interest received		**99**	205	169
Interest paid		**(520)**	(519)	(799)
Income tax refunded		**552**	–	–
Income tax paid		**(4,931)**	(5,129)	(5,867)
Royalty related taxation paid		**(576)**	(906)	(885)
Net operating cash flows		**17,920**	18,863	17,817
Investing activities				
Purchases of property, plant and equipment		**(9,323)**	(9,492)	(7,558)
Exploration expenditure (including amounts expensed)		**(1,333)**	(1,243)	(1,350)
Purchase of intangibles		**(85)**	(141)	(16)
Investment in financial assets		**(152)**	(40)	(166)
Investment in subsidiaries, operations and jointly controlled entities, net of their cash		**(508)**	(286)	(154)
Payment on sale of operations		**(156)**	(126)	–
Cash outflows from investing activities		**(11,557)**	(11,328)	(9,244)
Proceeds from sale of property, plant and equipment		**132**	164	43
Proceeds from sale of financial assets		**34**	96	59
Proceeds from sale or partial sale of subsidiaries, operations and jointly controlled entities, net of their cash		**376**	17	78
Net investing cash flows		**(11,015)**	(11,051)	(9,064)
Financing activities				
Proceeds from interest bearing liabilities		**567**	7,323	7,201
Proceeds from debt related instruments		**103**	354	342
Repayment of interest bearing liabilities		**(1,155)**	(3,748)	(7,951)
Proceeds from ordinary shares		**12**	29	24
Contributions from non-controlling interests		**335**	–	–
Purchase of shares by Employee Share Ownership Plan Trusts		**(274)**	(169)	(250)
Share buy-back – BHP Billiton Plc		**–**	–	(3,115)
Dividends paid		**(4,618)**	(4,563)	(3,135)
Dividends paid to non-controlling interests		**(277)**	(406)	(115)
Net financing cash flows		**(5,307)**	(1,180)	(6,999)
Net increase in cash and cash equivalents		**1,598**	6,632	1,754
Cash and cash equivalents, net of overdrafts, at beginning of year		**10,831**	4,173	2,398
Effect of foreign currency exchange rate changes on cash and cash equivalents		**26**	26	21
Cash and cash equivalents, net of overdrafts, at end of year	23	**12,455**	10,831	4,173

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2010

US$M	Attributable to members of the BHP Billiton Group						Non-controlling interests	Total equity
	Share capital – BHP Billiton Limited	Share capital – BHP Billiton Plc	Treasury shares	Reserves	Retained earnings	Total		
Balance as at 1 July 2009	1,227	1,116	(525)	1,305	36,831	**39,954**	757	**40,711**
Total comprehensive income	–	–	–	197	12,738	**12,935**	294	**13,229**
Transactions with owners:								
Purchase of shares by ESOP Trusts	–	–	(274)	–	–	**(274)**	–	**(274)**
Employee share awards exercised following vesting net of employee contributions	–	–	274	(88)	(178)	**8**	–	**8**
Employee share awards lapsed	–	–	–	(28)	28	**–**	–	**–**
Accrued employee entitlement for unvested awards	–	–	–	170	–	**170**	–	**170**
Issue of share options to non-controlling interests	–	–	–	43	–	**43**	16	**59**
Distribution to option holders	–	–	–	(10)	–	**(10)**	(6)	**(16)**
Dividends paid	–	–	–	–	(4,618)	**(4,618)**	(277)	**(4,895)**
Transactions with owners – contributed equity	–	–	–	317	–	**317**	20	**337**
Balance as at 30 June 2010	**1,227**	**1,116**	**(525)**	**1,906**	**44,801**	**48,525**	**804**	**49,329**
Balance as at 1 July 2008	1,227	1,116	(514)	750	35,756	38,335	708	39,043
Total comprehensive income	–	–	–	404	5,742	6,146	458	6,604
Transactions with owners:								
Purchase of shares by ESOP Trusts	–	–	(169)	–	–	(169)	–	(169)
Employee share awards exercised following vesting net of employee contributions	–	–	158	(34)	(104)	20	–	20
Accrued employee entitlement for unvested awards	–	–	–	185	–	185	–	185
Dividends paid	–	–	–	–	(4,563)	(4,563)	(406)	(4,969)
Transaction with owners – contributed equity	–	–	–	–	–	–	(3)	(3)
Balance as at 30 June 2009	1,227	1,116	(525)	1,305	36,831	39,954	757	40,711
Balance as at 1 July 2007	1,221	1,183	(1,457)	991	27,729	29,667	251	29,918
Total comprehensive income	–	–	–	(368)	15,372	15,004	571	15,575
Transactions with owners:								
Exercise of Employee Share Plan Options	6	–	–	–	–	6	–	6
BHP Billiton Plc shares bought back and cancelled	–	(67)	–	67	–	–	–	–
Purchase of shares by ESOP Trusts	–	–	(250)	–	–	(250)	–	(250)
Employee share awards exercised following vesting net of employee contributions	–	–	260	(37)	(204)	19	–	19
Shares bought back	–	–	(3,075)	–	–	(3,075)	–	(3,075)
Shares cancelled	–	–	4,008	–	(4,008)	–	–	–
Accrued employee entitlement for unvested awards	–	–	–	97	–	97	–	97
Dividends paid	–	–	–	–	(3,133)	(3,133)	(113)	(3,246)
Transaction with owners – contributed equity	–	–	–	–	–	–	(1)	(1)
Balance as at 30 June 2008	1,227	1,116	(514)	750	35,756	38,335	708	39,043

The accompanying notes form part of these financial statements.

Notes to Financial Statements

1 Accounting policies

Dual Listed Companies' structure and basis of preparation of financial statements

Merger terms

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

The effect of the DLC merger is that BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the Group). Under the arrangements:

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

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

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Limited or BHP Billiton Plc, any change of ownership of any existing shares or securities of BHP Billiton Limited or BHP Billiton Plc, the issue of any shares or securities or any payment by way of consideration, save for the issue by each Company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated.

Accounting for the DLC merger

The basis of accounting for the DLC merger was established under Australian and UK Generally Accepted Accounting Principles (GAAP), pursuant to the requirements of the Australian Securities and Investments Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, and in accordance with the UK Companies Act 1985. In accordance with the transitional provisions of IFRS 1/AASB 1 'First-time Adoption of International Financial Reporting Standards', the same basis of accounting is applied under International Financial Reporting Standards. Accordingly, these financial statements consolidate the Group as follows:

- Results for the years ended 30 June 2010, 30 June 2009 and 30 June 2008 are of the consolidated entity comprising the BHP Billiton Limited Group and the BHP Billiton Plc Group.
- Assets and liabilities of the BHP Billiton Limited Group and the BHP Billiton Plc Group were consolidated at the date of the merger at their existing carrying amounts.

Selected financial information of the BHP Billiton Limited single parent entity is presented in note 36 to the financial statements. Financial statements of the BHP Billiton Plc single parent entity are presented on page 262 of the Annual Report.

Basis of preparation

This general purpose financial report for the year ended 30 June 2010 has been prepared in accordance with the requirements of the Australian Corporations Act 2001 and the UK Companies Act 2006 and with:

- Australian Accounting Standards, being Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board (AASB) and interpretations effective as of 30 June 2010;
- International Financial Reporting Standards and interpretations as adopted by the European Union (EU) effective as of 30 June 2010;
- International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board effective as of 30 June 2010.

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

The principal standards and interpretations that have been adopted for the first time in these financial statements are:

- Amendment to IFRS 2/AASB 2 'Share-based Payment' which modifies the definition of vesting conditions and broadens the scope of accounting for cancellations of share-based payment arrangements;
- Amendment to IFRS 3/AASB 3 'Business Combinations' which modifies the application of acquisition accounting for business combinations. Associated amendments to IAS 27/AASB 127 'Consolidated and Separate Financial Statements' change the accounting for non-controlling interests;
- IFRS 8/AASB 8 'Operating Segments' which requires segment information to be determined on the same basis used for reporting to senior management. Segment results are therefore presented exclusive of exceptional items;
- 'Improvements to IFRSs 2008'/AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' which includes a collection of minor amendments to IFRS;
- IFRIC 18 'Transfers of Assets from Customers' which provides guidance on how to account for items of property, plant and equipment received from customers, or cash received from customers to acquire/construct specific assets that will be used to supply goods or services.

The adoption of these standards and interpretations did not have a material impact on the financial statements of the Group except for the amendments to IAS 27/AASB 127 'Consolidated and Separate Financial Statements'. These amendments have resulted in the excess of consideration received over the book value of net assets attributable to the equity instruments issued to non-controlling interests being recognised in equity rather than the income statement. Refer to note 20 for the financial impact of this amendment.

As a result of the Group applying IAS 1/AASB 101 'Presentation of Financial Statements' (revised from 1 July 2009), the financial statements include a Consolidated Statement of Comprehensive Income (which replaces the Consolidated Statement of Recognised Income and Expenses) and a Consolidated Statement of Changes in Equity.

The following standards and interpretations may have an impact on the Group in future reporting periods but are not yet effective:

- Amendments to IFRS 2/AASB 2 'Share-based Payment'. These amendments clarify the accounting for group cash settled share-based payment transactions;
- 'Improvements to IFRSs 2009'/AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' which includes a collection of minor amendments to IFRS. The amendments include a requirement to classify expenditures on unrecognised assets as a cash flow from operating activities which will result in Group exploration cash flows which are not recognised as assets being reclassified from cash flows from investing activities to cash flows from operating activities in the Consolidated Cash Flow Statement;

1 Accounting policies continued

- IFRS 9/AASB 9 'Financial Instruments' modifies the classification and measurement of financial assets;
- 'Improvements to IFRSs 2010'/AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' and AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' include a collection of minor amendments to IFRS.

These standards and interpretations are available for early adoption in the 30 June 2010 financial year (other than in the EU) but have not been applied in the preparation of these financial statements. The potential impacts on the financial statements of the Group of adopting these standards and interpretations have not yet been determined unless otherwise indicated. The latter two standards referred to above have not been endorsed by the EU and hence are not available for early adoption in the EU.

Basis of measurement

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

Currency of presentation

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

Change in accounting policy

The accounting policies have been consistently applied by all entities included in the Group consolidated financial statements and are consistent with those applied in all prior years presented other than changes required by the adoption of new and amended accounting standards and interpretations as discussed above.

Principles of consolidation

The financial statements of the Group include the consolidation of BHP Billiton Limited, BHP Billiton Plc and their respective subsidiaries. Subsidiaries are entities controlled by either parent entity. Control exists where either parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial report from the date control commences until the date control ceases. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests. The effects of all transactions between entities within the Group have been eliminated.

Joint ventures

The Group undertakes a number of business activities through joint ventures. Joint ventures are established through contractual arrangements that require the unanimous consent of each of the venturers regarding the strategic financial and operating policies of the venture (joint control). The Group's joint ventures are of two types:

Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each participant holds an interest. A jointly controlled entity operates in the same way as other entities, controlling the assets of the joint venture, earning its own income and incurring its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the proportionate consolidation method, whereby the Group's proportionate interest in the assets, liabilities, revenues and expenses of jointly controlled entities are recognised within each applicable line item of the financial statements. The share of jointly controlled entities' results is recognised in the Group's financial statements from the date that joint control commences until the date at which it ceases.

Jointly controlled assets

The Group has certain contractual arrangements with other participants to engage in joint activities that do not give rise to a jointly controlled entity. These arrangements involve the joint ownership of assets dedicated to the purposes of each venture but do not create a jointly controlled entity as the venturers directly derive the benefits of operation of their jointly owned assets, rather than deriving returns from an interest in a separate entity.

The financial statements of the Group include its share of the assets in such joint ventures, together with the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement, which are usually in proportion to the Group's interest in the jointly controlled assets.

Business combinations

Business combinations that occurred between 1 July 2004 and 30 June 2009 were accounted for by applying the purchase method of accounting, whereby the purchase consideration of the combination is allocated to the identifiable net assets acquired. Business combinations prior to 1 July 2004 have been accounted for in accordance with the Group's previous policies under Australian GAAP and UK GAAP and have not been restated.

Business combinations in the current financial year are accounted for by applying the acquisition method of accounting, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured on the basis of fair value at the date of acquisition.

Goodwill

Where the fair value of consideration paid for a business combination exceeds the fair value of the Group's share of the identifiable net assets acquired, the difference is treated as purchased goodwill. Where the fair value of the Group's share of the identifiable net assets acquired exceeds the cost of acquisition, the difference is immediately recognised in the income statement. The recognition of goodwill attributable to a non-controlling interest in a business combination is determined on a transaction by transaction basis. Goodwill is not amortised, however its carrying amount is assessed annually against its recoverable amount as explained below under 'Impairment of non-current assets'. On the subsequent disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the profit or loss on disposal or termination.

Intangible assets

Amounts paid for the acquisition of identifiable intangible assets, such as software and licences, are capitalised at the fair value of consideration paid and are recorded at cost less accumulated amortisation and impairment charges. Identifiable intangible assets with a finite life are amortised on a straight-line basis over their expected useful life, which is typically no greater than eight years. The Group has no identifiable intangible assets for which the expected useful life is indefinite.

Foreign currencies

The Group's reporting currency and the functional currency of the majority of its operations is the US dollar as this is assessed to be the principal currency of the economic environments in which they operate.

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

Exchange variations resulting from the retranslation at closing rate of the net investments in subsidiaries and joint ventures arising after 1 July 2004 are accounted for in accordance with the policy stated below. Exchange variations arising before this date were transferred to retained earnings at the date of transition to IFRS.

1 Accounting policies continued

Subsidiaries and joint ventures that have functional currencies other than US dollars translate their income statement items to US dollars at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at year end. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint ventures, together with differences between their income statement items translated at actual and closing rates, are recognised in the foreign currency translation reserve. For the purpose of foreign currency translation, the net investment in a foreign operation is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is recognised in the income statement at the time of disposal.

Share-based payments

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

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

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

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

Sales revenue

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or 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 Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability 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. For these sales, 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.

For certain commodities, the sales price is determined on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market or contractual prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between 60 and 120 days. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Revenue is not reduced for royalties and other taxes payable from the Group's production.

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

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral and petroleum resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting market and finance studies

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure (including amortisation of capitalised licence costs) is charged to the income statement as incurred except in the following circumstances, in which case the expenditure may be capitalised:

- In respect of minerals activities:
  - the exploration and evaluation activity is within an area of interest which was previously acquired in a business combination and measured at fair value on acquisition; or
  - the existence of a commercially viable mineral deposit has been established;
- In respect of petroleum activities:
  - the exploration and evaluation activity is within an area of interest for which it is expected that the expenditure will be recouped by future exploitation or sale; or
  - exploration and evaluation activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves.

Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, it is recorded as an intangible asset (such as licences). As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

1 Accounting policies continued

Cash flows associated with exploration and evaluation expenditure (comprising both amounts expensed and amounts capitalised) are classified as investing activities in the cash flow statement.

Development expenditure

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as 'assets under construction', and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as 'assets under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. On completion of development, all assets included in 'assets under construction' are reclassified as either 'plant and equipment' or 'other mineral assets'.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment charges. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition or construction and includes the direct cost of bringing the asset to the location and condition necessary for operation and the estimated future cost of dismantling and removing the asset. Disposals are taken to account in the income statement. Where the disposal involves the sale or abandonment of a significant business (or all of the assets associated with such a business) the gain or loss is disclosed as an exceptional item.

Other mineral assets

Other mineral assets comprise:

- Capitalised exploration, evaluation and development expenditure (including development stripping) for properties now in production;
- Mineral rights and petroleum interests acquired;
- Capitalised production stripping (as described below in 'Overburden removal costs').

Depreciation of property, plant and equipment

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine, field or lease, if shorter. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date of commissioning. The major categories of property, plant and equipment are depreciated on a unit of production and/or straight-line basis using estimated lives indicated below. However, where assets are dedicated to a mine, field or lease and are not readily transferable, the below useful lives are subject to the lesser of the asset category's useful life and the life of the mine, field or lease:

- Buildings – 25 to 50 years
- Land – not depreciated
- Plant and equipment – 3 to 30 years straight-line
- Mineral rights and Petroleum interests – based on reserves on a unit of production basis
- Capitalised exploration, evaluation and development expenditure – based on reserves on a unit of production basis

Leased assets

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

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

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

Impairment of non-current assets

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

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

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

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

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

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

Estimates/assumptions:	*Basis:*
• Future production	– proved and probable reserves, resource estimates and, in certain cases, expansion projects
• Commodity prices	– forward market and contract prices, and longer-term price protocol estimates
• Exchange rates	– current (forward) market exchange rates
• Discount rates	– cost of capital risk-adjusted appropriate to the resource

Overburden removal costs

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are initially capitalised as 'assets under construction'. Capitalisation of development stripping costs ceases at the time that saleable material begins to be extracted from the mine. On completion of development, all capitalised development stripping included in 'assets under construction' are transferred to 'other mineral assets'.

1 Accounting policies continued

Production stripping commences at the time that saleable materials begin to be extracted from the mine and normally continues throughout the life of a mine. The costs of production stripping are charged to the income statement as operating costs when the ratio of waste material to ore extracted for an area of interest is expected to be constant throughout its estimated life. When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- All costs are initially charged to the income statement and classified as operating costs.
- When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised to 'other mineral assets'.
- In subsequent years when the ratio of waste to ore is less than the estimated life-of-mine ratio, a portion of capitalised stripping costs is charged to the income statement as operating costs.

The amount of production stripping costs capitalised or charged in a financial year is determined so that the stripping expense for the financial year reflects the estimated life-of-mine ratio. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of the change.

Inventories

Inventories, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. 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.

Finance costs

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

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

Taxation

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

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

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

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

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

Provision for employee benefits

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

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

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

Superannuation, pensions and other post-retirement benefits

The 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 Group and are administered by trustees or management boards.

For defined contribution schemes or schemes operated on an industry-wide basis where it is not possible to identify assets attributable to the participation by the 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 income statement so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets. Actuarial gains and losses are recognised directly in equity. An asset or liability is consequently recognised in the balance sheet based on the present value of defined benefit obligations, less any unrecognised past service costs and the fair value of plan assets, except that any such asset cannot exceed the total of unrecognised past service costs and the present value of refunds from and reductions in future contributions to the plan.

1 Accounting policies continued

Defined benefit obligations are estimated by discounting expected future payments using market yields at the reporting date on high-quality corporate bonds in countries that have developed corporate bond markets. However, where developed corporate bond markets do not exist, the discount rates are selected by reference to national government bonds. In both instances, the bonds are selected with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

Certain Group companies provide post-retirement medical benefits to qualifying retirees. In some cases the benefits are provided through medical care schemes to which the Group, the employees, the retirees and covered family members contribute. In some schemes there is no funding of the benefits before retirement. These schemes are recognised on the same basis as described above for defined benefit pension schemes.

Closure and rehabilitation

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

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

The timing of the actual closure and rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions, the principles of our Charter and the environment in which the mine operates. Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements. The majority of the expenditure is expected to be paid over periods of up to 50 years with some payments into perpetuity.

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

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

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

- revisions to estimated reserves, resources and lives of operations;
- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates;
- movements in interest rates affecting the discount rate applied.

Financial instruments

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

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

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

Fair value hedges

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

Cash flow hedges

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

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

1 Accounting policies continued

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

Derivatives that do not qualify for hedge accounting

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

Available for sale and trading investments

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

Application of critical accounting policies and estimates

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

The Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to estimate reserves, estimates are required 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 the size, shape and depth of orebodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements to interpret the data.

The Group determines and reports ore reserves in Australia and the UK under the principles incorporated in the Australasian Code for Reporting Exploration Results of Mineral Resources and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions when reporting reserves. As a result, management will form a view of forecast sales prices, based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future and as a result, those lower prices are used to estimate reserves under the JORC Code. Lower price assumptions generally result in lower estimates of reserves.

Reserve reporting requirements for SEC (United States of America) filings are specified in Industry Guide 7, which requires economic assumptions to be based on current economic conditions (which may differ from assumptions based on reasonable investment assumptions). Accordingly, for SEC filings, we test our reserve estimates derived under JORC against assumed 'current economic conditions'. 'Current economic conditions' are based on the three-year historical average contract prices for commodities, such as iron ore and coal, and the three-year historical average for commodities that are traded on the London Metal Exchange, such as copper and nickel. However, we only report a different reserve in the US if, based on the US SEC pricing assumptions test, the reserve will be lower than that reported under JORC in Australia and the UK.

Oil and gas reserves reported in Australia and the UK, and the US for SEC filing purposes are based on the average of prices prevailing on the first day of each month for the past 12 months as required under the new SEC Rules 'Modernisation of Oil & Gas Reporting'. Reserves reported in prior periods are based on the prices prevailing at the time of the estimates as previously required by 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 used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying amounts may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recorded on the balance sheet or charged to the income statement may change due to changes in stripping ratios or the units of production basis of depreciation.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying amount of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable 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 policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the income statement.

1 Accounting policies continued

Property, plant and equipment – recoverable amount

In accordance with the Group's accounting policy, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see 'Reserve estimates' above), operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the income statement.

Defined benefit pension schemes

The Group's accounting policy for defined benefit pension schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme 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 employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in equity. Refer to note 29 for details of the key assumptions.

Provision for closure and rehabilitation

The Group's accounting policy for the recognition of closure and rehabilitation provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the balance sheet by adjusting both the closure and rehabilitation asset and provision. For closed sites, changes to estimated costs are recognised immediately in the income statement.

In addition to the uncertainties noted above, certain closure and rehabilitation activities are subject to legal disputes and depending on the ultimate resolution of these issues, the final liability for these matters could vary.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Rounding of amounts

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

Comparatives

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

Exchange rates

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

	Average year ended 30 June 2010	Average year ended 30 June 2009	Average year ended 30 June 2008	**As at 30 June 2010**	As at 30 June 2009	As at 30 June 2008
Australian dollar [(a)]	**0.88**	0.75	0.90	**0.85**	0.81	0.96
Brazilian real	**1.80**	2.08	1.78	**1.81**	1.95	1.60
Canadian dollar	**1.06**	1.16	1.01	**1.06**	1.16	1.01
Chilean peso	**529**	582	489	**545**	530	522
Colombian peso	**1,970**	2,205	1,935	**1,920**	2,159	1,899
South African rand	**7.59**	9.01	7.29	**7.68**	7.82	7.91
Euro	**0.72**	0.73	0.68	**0.82**	0.71	0.63
UK pound sterling	**0.63**	0.63	0.50	**0.66**	0.60	0.50

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

Notes to Financial Statements continued

2 Segment reporting

Business segments

The Group operates nine Customer Sector Groups aligned with the commodities which we extract and market, reflecting the structure used by the Group's management to assess the performance of the Group:

Customer Sector Group	Principal activities
Petroleum	Exploration, development and production of oil and gas
Aluminium	Mining of bauxite, refining of bauxite into alumina and smelting of alumina into aluminium metal
Base Metals	Mining of copper, silver, lead, zinc, molybdenum, uranium and gold
Diamonds and Specialty Products	Mining of diamonds and titanium minerals; potash development
Stainless Steel Materials	Mining and production of nickel products
Iron Ore	Mining of iron ore
Manganese	Mining of manganese ore and production of manganese metal and alloys
Metallurgical Coal	Mining of metallurgical coal
Energy Coal	Mining of thermal (energy) coal

Group and unallocated items represent Group centre functions. Exploration and technology activities are recognised within relevant segments.

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

US$M	Petroleum	Aluminium	Base Metals	Diamonds and Specialty Products	Stainless Steel Materials	Iron Ore	Manga-nese	Metal-lurgical Coal	Energy Coal	Group and unallocated items/ eliminations	BHP Billiton Group
Year ended 30 June 2010											
Revenue											
Group production	8,682	2,948	9,528	1,272	3,311	10,964	2,143	6,019	3,214	–	48,081
Third party products	86	1,405	881	–	306	67	7	–	1,051	802	4,605
Rendering of services	3	–	–	–	–	69	–	40	–	–	112
Inter-segment revenue	11	–	–	–	–	39	–	–	–	(50)	–
Total revenue [a]	**8,782**	**4,353**	**10,409**	**1,272**	**3,617**	**11,139**	**2,150**	**6,059**	**4,265**	**752**	**52,798**
Underlying EBITDA [b]	**6,571**	**684**	**5,393**	**648**	**1,085**	**6,496**	**784**	**2,363**	**971**	**(482)**	**24,513**
Depreciation and amortisation	(1,998)	(278)	(729)	(163)	(427)	(495)	(72)	(309)	(228)	(60)	(4,759)
Impairment (losses)/ reversals recognised	–	–	(32)	–	10	–	–	(1)	(13)	1	(35)
Underlying EBIT [b]	**4,573**	**406**	**4,632**	**485**	**668**	**6,001**	**712**	**2,053**	**730**	**(541)**	**19,719**
Comprising:											
Group production	4,570	393	4,639	485	646	6,003	717	2,053	642	(540)	19,608
Third party products	3	13	(7)	–	22	(2)	(5)	–	88	(1)	111
Underlying EBIT [b]	**4,573**	**406**	**4,632**	**485**	**668**	**6,001**	**712**	**2,053**	**730**	**(541)**	**19,719**
Net finance costs [c]											(459)
Exceptional items [d]											312
Profit before taxation											**19,572**
Capital expenditure	**1,951**	**1,019**	**763**	**127**	**265**	**3,838**	**182**	**653**	**881**	**87**	**9,766**
Total assets	**12,733**	**8,078**	**14,970**	**2,588**	**4,507**	**13,592**	**2,082**	**5,597**	**5,425**	**19,280**	**88,852**
Total liabilities	**3,175**	**1,318**	**2,621**	**527**	**1,154**	**2,526**	**794**	**1,475**	**1,965**	**23,968**	**39,523**

2 Segment reporting continued

US$M	Petroleum	Aluminium	Base Metals	Diamonds and Specialty Products	Stainless Steel Materials	Iron Ore	Manga-nese	Metal-lurgical Coal	Energy Coal	Group and unallocated items/ eliminations	BHP Billiton Group
Year ended 30 June 2009											
Revenue											
Group production	6,924	3,219	6,616	896	2,202	9,815	2,473	7,988	3,830	–	43,963
Third party products	192	932	488	–	112	132	63	18	2,694	1,467	6,098
Rendering of services	6	–	–	–	–	61	–	81	–	2	150
Inter-segment revenue	89	–	1	–	41	40	–	–	–	(171)	–
Total revenue [a]	7,211	4,151	7,105	896	2,355	10,048	2,536	8,087	6,524	1,298	50,211
Underlying EBITDA [b]	5,456	476	1,994	370	(366)	6,631	1,397	4,988	1,676	(347)	22,275
Depreciation and amortisation	(1,288)	(298)	(663)	(222)	(439)	(384)	(48)	(277)	(210)	(42)	(3,871)
Impairment (losses)/ reversals recognised	(83)	14	(39)	(3)	(49)	(18)	–	–	(6)	(6)	(190)
Underlying EBIT [b]	4,085	192	1,292	145	(854)	6,229	1,349	4,711	1,460	(395)	18,214
Comprising:											
Group production	4,081	202	1,326	145	(905)	6,022	1,358	4,704	1,174	(396)	17,711
Third party products	4	(10)	(34)	–	51	207	(9)	7	286	1	503
Underlying EBIT [b]	4,085	192	1,292	145	(854)	6,229	1,349	4,711	1,460	(395)	18,214
Net finance costs [c]											(543)
Exceptional items [d]											(6,054)
Profit before taxation											11,617
Capital expenditure	1,905	863	1,018	112	685	1,922	279	1,562	876	114	9,336
Total assets	12,444	7,575	14,812	2,073	4,767	8,735	1,454	4,929	4,555	17,426	78,770
Total liabilities	3,388	1,242	2,995	292	1,482	1,501	571	1,249	2,004	23,335	38,059

Notes to Financial Statements continued

2 Segment reporting continued

US$M	Petroleum	Aluminium	Base Metals	Diamonds and Specialty Products	Stainless Steel Materials	Iron Ore	Manga-nese	Metal-lurgical Coal	Energy Coal	Group and unallocated items/ eliminations	BHP Billiton Group
Year ended 30 June 2008											
Revenue											
Group production	7,997	4,675	13,231	969	5,040	9,246	2,844	3,818	3,921	–	51,741
Third party products	254	1,071	1,543	–	48	108	68	61	2,639	1,763	7,555
Rendering of services	10	–	–	–	–	63	–	62	–	42	177
Inter-segment revenue	121	–	–	–	–	38	–	–	–	(159)	–
Total revenue [a]	8,382	5,746	14,774	969	5,088	9,455	2,912	3,941	6,560	1,646	59,473
Underlying EBITDA [b]	6,653	1,775	8,657	364	1,739	4,962	1,692	1,209	1,326	(346)	28,031
Depreciation and amortisation	(1,113)	(309)	(658)	(142)	(450)	(331)	(48)	(272)	(241)	(48)	(3,612)
Impairment (losses)/ reversals recognised	(55)	(1)	(10)	(33)	(14)	–	–	–	(28)	4	(137)
Underlying EBIT [b]	5,485	1,465	7,989	189	1,275	4,631	1,644	937	1,057	(390)	24,282
Comprising:											
Group production	5,483	1,445	8,190	189	1,275	4,748	1,644	941	1,146	(395)	24,666
Third party products	2	20	(201)	–	–	(117)	–	(4)	(89)	5	(384)
Underlying EBIT [b]	5,485	1,465	7,989	189	1,275	4,631	1,644	937	1,057	(390)	24,282
Net finance costs [c]											(662)
Exceptional items [d]											(137)
Profit before taxation											23,483
Capital expenditure	2,116	556	989	123	1,191	1,832	155	500	438	29	7,929
Total assets	11,874	7,672	15,356	1,964	8,477	8,656	1,688	3,916	5,173	11,232	76,008
Total liabilities	2,980	1,308	4,197	270	1,202	1,862	534	1,269	3,174	20,169	36,965

[a] Revenue not attributable to reportable segment reflects sales of freight and fuel to third parties.
[b] Underlying EBIT is earnings before net finance costs and taxation and any exceptional items. Underlying EBITDA is Underlying EBIT, before depreciation, amortisation and impairments.
[c] Refer to note 6.
[d] Refer to note 3.

2 Segment reporting continued

Geographical information

	Revenue by location of customer		
	2010 US$M	2009 US$M	2008 US$M
Australia	**4,515**	4,621	5,841
United Kingdom	**1,289**	3,042	3,091
Rest of Europe	**8,554**	7,764	11,258
China	**13,236**	9,873	11,670
Japan	**5,336**	7,138	6,885
Other Asia	**9,840**	9,280	10,111
North America	**5,547**	4,020	4,771
South America	**2,013**	1,652	2,640
Southern Africa	**1,227**	1,374	2,003
Rest of world	**1,241**	1,447	1,203
	52,798	50,211	59,473

	Non-current assets by location of assets [(a)]		
	2010 US$M	2009 US$M	2008 US$M
Australia	**35,267**	28,779	28,166
United Kingdom	**316**	245	388
North America	**7,143**	7,382	7,050
South America	**9,230**	9,163	8,823
Southern Africa	**5,466**	4,286	3,883
Rest of world	**733**	976	1,084
Unallocated assets	**5,563**	5,453	4,934
	63,718	56,284	54,328

[(a)] Non-current assets attributed to geographical locations exclude deferred tax assets and other financial assets.

3 Exceptional items

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

Year ended 30 June 2010	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Pinal Creek rehabilitation	186	(53)	133
Disposal of Ravensthorpe nickel operations	653	(196)	457
Restructuring of operations and deferral of projects	(298)	12	(286)
Renegotiation of power supply agreements	(229)	50	(179)
Release of income tax provisions	–	128	128
	312	(59)	253

Pinal Creek rehabilitation:

On 22 February 2010 a settlement was reached in relation to the Pinal Creek (US) groundwater contamination which resulted in other parties taking on full responsibility for groundwater remediation and partly funding the Group for past and future rehabilitation costs. As a result, a gain of US$186 million (US$53 million tax expense) has been recognised reflecting the release of rehabilitation provisions and cash received.

Disposal of Ravensthorpe nickel operations:

On 9 December 2009, the Group announced it had signed an agreement to sell the Ravensthorpe nickel operations (Australia). The sale was completed on 10 February 2010. As a result of the sale, impairment charges recognised as exceptional items in the financial year ended 30 June 2009 have been partially reversed totalling US$611 million (US$183 million tax expense). In addition, certain obligations that remained with the Group were mitigated and related provisions released; together with minor net operating costs this resulted in a gain of US$42 million (US$13 million tax expense).

Restructuring of operations and deferral of projects:

Continuing power supply constraints impacting the Group's three Aluminium smelter operations in southern Africa, and temporary delays with the Guinea Alumina project, have given rise to charges for the impairment of property, plant and equipment and restructuring provisions. A total charge of US$298 million (US$12 million tax benefit) was recognised by the Group in the year ended 30 June 2010.

Renegotiation of power supply arrangements:

Renegotiation of long-term power supply arrangements in southern Africa have impacted the value of embedded derivatives contained within those arrangements. A total charge of US$229 million (US$50 million tax benefit) was recognised by the Group in the year ended 30 June 2010.

Release of income tax provisions:

The Australian Taxation Office (ATO) issued amended assessments in prior years denying bad debt deductions arising from the investments in Hartley, Beenup and Boodarie Iron and the denial of capital allowance claims made on the Boodarie Iron project. BHP Billiton lodged objections and has been successful on all counts in the Federal Court and the Full Federal Court. The ATO has not sought to appeal the Boodarie Iron bad debt disallowance to the High Court which resulted in a release of US$128 million from the Group's income tax provisions. The ATO sought special leave to appeal to the High Court in relation to the Beenup bad debt disallowance and the denial of the capital allowance claims on the Boodarie Iron project and has been granted special leave only in relation to the denial of the capital allowance claims on the Boodarie Iron project.

3 Exceptional items continued

Exceptional items are classified by nature of expense as follows:

Year ended 30 June 2010 US$M	(Impairment)/ impairment reversal of property, plant and equipment	Closure and rehabilitation provisions released	Funding received for past and future rehabilitation costs	Contract cancellation, redundancy and other restructuring costs (incurred)/ released	Embedded derivative revaluations	Gross
Renegotiation of power supply agreements	–	–	–	–	(229)	(229)
Restructuring of operations and deferral of projects	(292)	–	–	(6)	–	(298)
Disposal of the Ravensthorpe nickel operations	611	–	–	42	–	653
Pinal Creek rehabilitation	–	130	56	–	–	186
	319	130	56	36	(229)	312

Year ended 30 June 2009	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Suspension of Ravensthorpe nickel operations	(3,615)	1,076	(2,539)
Announced sale of Yabulu refinery	(510)	(175)	(685)
Withdrawal or sale of other operations	(665)	(23)	(688)
Deferral of projects and restructuring of operations	(306)	86	(220)
Newcastle steelworks rehabilitation	(508)	152	(356)
Lapsed offers for Rio Tinto	(450)	93	(357)
	(6,054)	1,209	(4,845)

Suspension of Ravensthorpe nickel operations:

On 21 January 2009, the Group announced the suspension of operations at Ravensthorpe nickel operations (Australia) and as a consequence stopped the processing of the mixed nickel cobalt hydroxide product at Yabulu (Australia). As a result, an impairment charge and increased provisions for contract cancellation, redundancy and other closure costs of US$3,615 million (US$1,076 million tax benefit) were recognised. This exceptional item did not include the loss from operations of Ravensthorpe nickel operations of US$173 million.

Announced sale of Yabulu refinery:

On 3 July 2009, the Group announced the sale of the Yabulu operations. As a result, impairment charges of US$510 million (US$ nil tax benefit) were recognised in addition to those recognised on suspension of the Ravensthorpe nickel operations. As a result of the sale, deferred tax assets of US$175 million were no longer expected to be realised by the Group and were recognised as a charge to income tax expense. The remaining assets and liabilities of the Yabulu operations were classified as held for sale as at 30 June 2009.

Withdrawal or sale of other operations:

As part of the Group's regular review of the long-term viability of operations, a total charge of US$665 million (US$23 million tax expense) was recognised primarily in relation to the decisions to cease development of the Maruwai Haju trial mine (Indonesia), sell the Suriname operations, suspend copper sulphide mining operations at Pinto Valley (US) and cease the pre-feasibility study at Corridor Sands (Mozambique). The remaining assets and liabilities of the Suriname operations were classified as held for sale as at 30 June 2009.

Deferral of projects and restructuring of operations:

As part of the Group's regular review of the long-term viability of continuing operations, a total charge of US$306 million (US$86 million tax benefit) was recognised primarily in relation to the deferral of expansions at the Nickel West operations (Australia), deferral of the Guinea Alumina project (Guinea) and the restructuring of the Bayside Aluminium Casthouse operations (South Africa).

3 Exceptional items continued

Newcastle steelworks rehabilitation:

The Group recognised a charge of US$508 million (US$152 million tax benefit) for additional rehabilitation obligations in respect of former operations at the Newcastle steelworks (Australia). The increase in obligations related to changes in the estimated volume of sediment in the Hunter River requiring remediation and treatment, and increases in estimated treatment costs.

Lapsed offers for Rio Tinto:

The Group's offers for Rio Tinto lapsed on 27 November 2008 following the Board's decision that it no longer believed that completion of the offers was in the best interests of BHP Billiton shareholders. The Group incurred fees associated with the US$55 billion debt facility (US$156 million cost, US$31 million tax benefit), investment bankers', lawyers' and accountants' fees, printing expenses and other charges (US$294 million cost, US$62 million tax benefit) in progressing this matter over the 18 months up to the lapsing of the offers, which were expensed in year ended 30 June 2009.

Exceptional items are classified by nature of expense as follows:

Year ended 30 June 2009 US$M	Impairments of property, plant and equipment [a]	Closure and rehabilitation provisions	Contract cancellation, redundancy and other closure costs	Inventory impairments	Rio Tinto offer costs	Gross
Suspension of Ravensthorpe nickel operations	(3,260)	–	(228)	(127)	–	(3,615)
Announced sale of Yabulu refinery	(510)	–	–	–	–	(510)
Withdrawal or sale of other operations	(463)	(34)	(137)	(31)	–	(665)
Deferral of projects and restructuring of operations	(217)	–	(80)	(9)	–	(306)
Newcastle steelworks rehabilitation	–	(508)	–	–	–	(508)
Lapsed offers for Rio Tinto	–	–	–	–	(450)	(450)
	(4,450)	(542)	(445)	(167)	(450)	(6,054)

[a] Impairments recorded in respect of Ravensthorpe nickel operations have been calculated by reference to fair value less costs to sell, based on an internal valuation. Impairments recorded in respect of Yabulu refinery have been calculated with respect to the sale proceeds expected to be received.

Assets held for sale:

The remaining assets and liabilities of Yabulu and Suriname were classified as current assets held for sale of US$213 million (comprising inventory of US$131 million, property, plant and equipment of US$55 million and other working capital assets of US$27 million), and as current liabilities held for sale of US$363 million (comprising closure and rehabilitation provision of US$260 million and working capital liabilities of US$103 million) at 30 June 2009.

Year ended 30 June 2008	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Recognition of benefit of tax losses in respect of the acquisition of WMC and consequent reduction in goodwill	(137)	159	22
	(137)	159	22

Recognition of benefit of tax losses in respect of the acquisition of WMC and consequent reduction in goodwill:

Tax losses incurred by WMC Resources Ltd (WMC) were not recognised as a deferred tax asset at acquisition pending a ruling application to the Australian Taxation Office. The ruling was issued confirming the availability of those losses. This resulted in the recognition of a deferred tax asset (US$197 million) and consequential adjustment to deferred tax liabilities (US$38 million) through income tax expense at current exchange rates. As a further consequence, the Group recognised an expense for a corresponding reduction in goodwill measured at the exchange rate at the date of acquisition.

4 Other income

	2010 US$M	2009 US$M	2008 US$M
Dividend income	**16**	33	53
Royalties	**12**	11	18
Gains on sale of property, plant and equipment	**76**	48	64
Gains/(losses) on sale of investments	**22**	8	(1)
Gains/(losses) on sale of subsidiaries and operations	**16**	(18)	66
Commission income	**118**	106	100
Insurance recoveries	**21**	88	38
Other income	**247**	313	310
Total other income	**528**	589	648

5 Expenses

	2010 US$M	2009 US$M	2008 US$M
Changes in inventories of finished goods and work in progress	**(501)**	(11)	(750)
Raw materials and consumables used	**6,652**	6,227	7,529
Employee benefits expense	**4,661**	4,147	4,271
External services (including transportation)	**9,733**	9,725	8,947
Third party commodity purchases	**4,478**	5,785	7,820
Net foreign exchange losses/(gains)	**112**	(324)	243
Research and development costs before crediting related grants	**65**	156	244
Fair value change on derivatives [(a)]	**259**	(560)	433
Impairment of available for sale financial assets	**2**	71	–
Government royalties paid and payable	**1,653**	1,905	1,369
Depreciation and amortisation expense	**4,759**	3,871	3,612
Exploration and evaluation expenditure incurred and expensed in the current period	**1,030**	1,009	859
Exploration and evaluation expenditure previously capitalised, written off as unsuccessful or abandoned [(b)]	**256**	96	47
Impairment of property, plant and equipment [(b)]	**89**	4,439	90
Reversal of previously written off capitalised exploration and evaluation expenditure	**(1)**	–	–
Reversal of previously impaired property, plant and equipment [(b)]	**(630)**	–	–
Impairment of goodwill and other intangible assets	**–**	34	–
Reduction of previously recognised goodwill	**–**	–	137
Operating lease rentals	**390**	409	451
All other operating expenses	**288**	1,661	674
Total expenses	**33,295**	38,640	35,976

	2010 US$M	2009 US$M	2008 US$M
Aggregate employee benefits expense			
Wages, salaries and redundancies	**4,271**	3,877	3,949
Employee share awards [(c)]	**210**	164	138
Social security costs	**13**	15	14
Pensions and other post-retirement obligations costs – refer to note 29	**336**	289	259
	4,830	4,345	4,360
Less employee benefits expense classified as exploration and evaluation expenditure above	**169**	198	89
Employee benefits expense	**4,661**	4,147	4,271

[(a)] Fair value change on derivatives includes realised losses of US$95 million (2009: US$219 million realised losses; 2008: US$207 million realised gains) and unrealised losses of US$164 million (2009: US$779 million unrealised gains; 2008: US$640 million unrealised losses).
[(b)] Includes exceptional items of US$319 million (2009: US$4,450 million; 2008: US$ nil). Refer to note 3.
[(c)] Employee share awards expense is US$210.490 million (2009: US$163.820 million; 2008: US$137.935 million).

Notes to Financial Statements continued

6 Net finance costs

	2010 US$M	2009 US$M	2008 US$M
Financial expenses			
Interest on bank loans and overdrafts [a]	**24**	47	52
Interest on all other borrowings [a]	**460**	527	670
Finance lease and hire purchase interest	**14**	15	14
Dividends on redeemable preference shares	**–**	1	1
Discounting on provisions and other liabilities	**359**	315	310
Discounting on post-retirement employee benefits	**130**	132	138
Interest capitalised [b]	**(301)**	(149)	(204)
Fair value change on hedged loans	**131**	390	259
Fair value change on hedging derivatives	**(138)**	(377)	(257)
Exchange variations on net debt	**(5)**	(49)	(28)
	674	852	955
Financial income			
Interest income [c]	**(117)**	(198)	(168)
Expected return on pension scheme assets	**(98)**	(111)	(125)
	(215)	(309)	(293)
Net finance costs	**459**	543	662

[a] Includes interest expense on financial liabilities carried at amortised cost of US$274 million (2009: US$338 million; 2008: US$233 million).
[b] Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction or, where financed through general borrowings, at a capitalisation rate representing the average interest rate on such borrowings. For the year ended 30 June 2010, the general capitalisation rate was 3.5 per cent (2009: 4.25 per cent; 2008: 5.0 per cent).
[c] Includes interest income on financial assets carried at amortised cost of US$117 million (2009: US$198 million; 2008: US$168 million).

7 Income tax and deferred tax

	2010 US$M	2009 US$M	2008 US$M
Total taxation expense comprises:			
Current tax expense	**5,395**	6,078	7,103
Deferred tax expense	**1,168**	(799)	418
	6,563	5,279	7,521
Total taxation expense attributed to geographical jurisdiction			
UK	**178**	319	217
Australia	**3,798**	3,158	3,397
Rest of world	**2,587**	1,802	3,907
	6,563	5,279	7,521

7 Income tax and deferred tax continued

	2010		2009		2008	
	%	US$M	%	US$M	%	US$M
Factors affecting income tax expense for the period						
Income tax expense differs to the standard rate of corporation tax as follows:						
Profit before taxation		**19,572**		11,617		23,483
Tax on profit at standard rate of 30 per cent	**30.0**	**5,872**	30.0	3,485	30.0	7,045
Investment and development allowance	**(1.4)**	**(279)**	(1.2)	(142)	(1.6)	(386)
Amounts (over)/under provided in prior years	**(1.0)**	**(181)**	0.1	16	(0.3)	(61)
(Initial recognition)/derecognition of tax assets	**(0.2)**	**(42)**	2.5	290	(0.8)	(183)
Non-deductible depreciation, amortisation and exploration expenditure	**0.5**	**92**	0.7	91	0.6	147
Tax rate differential on foreign income	**0.5**	**94**	(0.2)	(26)	0.7	166
Tax on remitted and unremitted foreign earnings	**1.1**	**221**	1.7	196	0.7	158
Non tax-effected operating losses and capital gains	**0.8**	**152**	2.9	338	0.2	54
Exchange variations and other translation adjustments	**0.5**	**106**	3.8	444	(1.0)	(229)
Tax rate changes	**0.1**	**17**	–	–	–	(9)
Other	**0.3**	**60**	0.8	92	0.4	96
Income tax expense	**31.2**	**6,112**	41.1	4,784	28.9	6,798
Royalty related taxation (net of income tax benefits)	**2.3**	**451**	4.3	495	3.1	723
Total taxation expense	**33.5**	**6,563**	45.4	5,279	32.0	7,521

Income tax relating to components of other comprehensive income is as follows:

	2010 US$M	2009 US$M	2008 US$M
Actuarial losses on pension and medical schemes	**15**	62	20
Available for sale investments:			
Net valuation gains/(losses) taken to equity	**(16)**	(21)	8
Net valuation losses transferred to the income statement	**–**	–	–
Cash flow hedges:			
(Losses)/gains taken to equity	**5**	(245)	147
Realised losses transferred to the income statement	**(1)**	(7)	(26)
Unrealised gain transferred to the income statement	**–**	15	–
Gains transferred to the initial carrying amount of hedged items	**–**	5	49
Exchange fluctuations on translation of foreign operations taken to equity	**–**	–	–
Exchange fluctuations on translation of foreign operations transferred to the income statement	**–**	–	–
Employee entitlements taken directly to retained earnings on exercise	**39**	27	57
Accrued employee entitlements for unexercised awards	**69**	(89)	51
Total income tax relating to components of other comprehensive income [(a)]	**111**	(253)	306

[(a)] Included within total income tax relating to components of other comprehensive income is US$75 million relating to deferred taxes and US$36 million relating to current taxes (2009: US$(297) million and US$44 million; 2008: US$234 million and US$72 million).

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

	2010 US$M	2009 US$M	2008 US$M
Net deferred tax (liability)/asset			
At the beginning of the financial year	**872**	370	572
Income tax (charge)/credit recorded in the income statement	**(1,151)**	799	(427)
Effect of change in tax rates recorded in the income statement	**(17)**	–	9
Income tax credit/(charge) recorded directly in equity	**75**	(297)	234
Acquisitions and disposals of subsidiaries and operations	**(49)**	6	–
Exchange variations and other movements	**3**	(6)	(18)
At the end of the financial year	**(267)**	872	370

7 Income tax and deferred tax continued

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

	Deferred tax assets		Deferred tax liabilities		Charged/(credited) to the income statement		
	2010 US$M	2009 US$M	**2010 US$M**	2009 US$M	**2010 US$M**	2009 US$M	2008 US$M
Type of temporary difference							
Depreciation	**(805)**	(156)	**2,661**	2,451	**938**	692	98
Exploration expenditure	**555**	446	**(15)**	(12)	**(112)**	(95)	(26)
Employee benefits	**216**	210	**(232)**	(284)	**49**	39	(66)
Closure and rehabilitation	**401**	448	**(1,123)**	(964)	**(119)**	(128)	(113)
Resource rent tax	**223**	21	**657**	281	**175**	(256)	291
Other provisions	**94**	108	**(76)**	(83)	**14**	(28)	(115)
Deferred income	**69**	(2)	**(49)**	(62)	**(60)**	(293)	298
Deferred charges	**(36)**	(53)	**421**	415	**(11)**	47	209
Investments, including foreign tax credits	**1,592**	1,425	**612**	527	**(69)**	(179)	(75)
Foreign exchange gains and losses	**29**	(124)	**1,026**	518	**353**	(316)	332
Non tax-depreciable fair value adjustments, revaluations and mineral rights	**(23)**	(24)	**179**	345	**(148)**	119	(54)
Tax-effected losses	**1,600**	1,510	**(17)**	(5)	**(242)**	(378)	(21)
Other	**138**	101	**276**	(89)	**400**	(23)	(340)
Total	**4,053**	3,910	**4,320**	3,038	**1,168**	(799)	418

	2010 US$M	2009 US$M
Unrecognised deferred tax assets		
Tax losses and tax credits	**652**	784
Investments in subsidiaries and jointly controlled entities	**6**	379
Other deductible temporary differences	**2,189**	2,143
Total unrecognised deferred tax assets	**2,847**	3,306
Unrecognised deferred tax liabilities		
Investments in subsidiaries and jointly controlled entities	**1,782**	1,421
Total unrecognised deferred tax liabilities	**1,782**	1,421

Tax losses

At 30 June 2010, the Group had income and capital tax losses with a tax benefit of US$437 million (2009: US$552 million) which are not recognised as deferred tax assets. The Group recognises the benefit of tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions. The gross amount of tax losses carried forward that have not been tax effected expire as follows:

Year of expiry	Australia US$M	UK US$M	Rest of world US$M	Total losses US$M
Income tax losses				
Not later than one year	–	–	17	17
Later than one year and not later than two years	–	–	12	12
Later than two years and not later than five years	–	–	69	69
Later than five years and not later than ten years	–	–	7	7
Later than ten years and not later than twenty years	–	–	314	314
Unlimited	–	394	76	470
	–	394	495	889
Capital tax losses				
Unlimited	559	2	29	590
Gross amount of tax losses not recognised	**559**	**396**	**524**	**1,479**
Tax effect of total losses not recognised	**168**	**111**	**158**	**437**

7 Income tax and deferred tax continued

Tax credits

At 30 June 2010, the Group had US$215 million of tax credits that have not been recognised (2009: US$232 million).

Deductible temporary differences

At 30 June 2010, the Group had deductible temporary differences for which deferred tax assets of US$2,195 million (2009: US$2,522 million) have not been recognised because it is not probable that future taxable profits will be available against which the Group can utilise the benefits. The deductible temporary differences do not expire under current tax legislation.

Temporary differences associated with investments in subsidiaries and jointly controlled entities

At 30 June 2010, deferred tax liabilities of US$1,782 million (2009: US$1,421 million) associated with undistributed earnings of subsidiaries and jointly controlled entities have not been recognised because the Group is able to control the timing of the reversal of the temporary differences and it is not probable that such differences will reverse in the foreseeable future.

Other factors affecting taxation

The Australian Taxation Office (ATO) has issued amended assessments during the period from 2005 to 2008 denying bad debt deductions arising from the investments in Hartley, Beenup and Boodarie Iron and the denial of capital allowance claims made on the Boodarie Iron project. BHP Billiton lodged objections against all the amended assessments. An amount of US$686 million was paid to the ATO pursuant to ATO disputed assessment guidelines, which require that taxpayers generally must pay half of the tax in dispute to defer recovery proceedings.

The Boodarie Iron and Beenup bad debt disallowance matters and the Boodarie Iron capital allowance matter were heard concurrently in the Federal Court in January 2009. BHP Billiton was successful on all counts. The ATO appealed and the matter was heard in the Full Federal Court in November 2009. BHP Billiton was again successful on all counts. The ATO sought special leave to appeal to the High Court only in relation to the Beenup bad debt disallowance and the denial of the capital allowance claims on the Boodarie Iron project. The High Court has granted special leave only in relation to the denial of the capital allowance claims on the Boodarie Iron project. A date for the appeal has not yet been set. As a result of the ATO not seeking to challenge the Boodarie Iron project bad debt disallowance, the ATO has refunded US$552 million to BHP Billiton including interest. BHP Billiton also expects that as a result of the High Court not granting special leave for the Beenup bad debt disallowance, the ATO will refund the amount paid in relation to this dispute of US$62 million plus interest. BHP Billiton settled the Hartley matter with the ATO in September 2009.

The amount remaining in dispute following the decision of the High Court for the denial of capital allowance claims on the Boodarie Iron project is approximately US$435 million, being primary tax of US$328 million and US$107 million of interest (after tax).

8 Earnings per share

	2010	2009	2008
Basic earnings per ordinary share (US cents)	**228.6**	105.6	275.3
Diluted earnings per ordinary share (US cents)	**227.8**	105.4	274.8
Basic earnings per American Depositary Share (ADS) (US cents) [a]	**457.2**	211.2	550.6
Diluted earnings per American Depositary Share (ADS) (US cents) [a]	**455.6**	210.8	549.6
Basic earnings (US$M)	**12,722**	5,877	15,390
Diluted earnings (US$M) [b]	**12,743**	5,899	15,402

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

Weighted average number of shares	**2010 Million**	2009 Million	2008 Million
Basic earnings per ordinary share denominator	**5,565**	5,565	5,590
Shares and options contingently issuable under employee share ownership plans [c]	**30**	33	15
Diluted earnings per ordinary share denominator [d]	**5,595**	5,598	5,605

[a] Each American Depositary Share (ADS) represents two ordinary shares.
[b] Diluted earnings are calculated after adding back dividend equivalent payments of US$21 million (2009: US$22 million; 2008: US$12 million) that would not be made if potential ordinary shares were converted to fully paid.
[c] The calculation of the number of ordinary shares used in the computation of basic earnings per share is the aggregate of the weighted average number of ordinary shares of BHP Billiton Limited and BHP Billiton Plc outstanding during the period after deduction of the number of shares held by the Billiton share repurchase scheme, the Billiton Employee Share Ownership Plan Trust, and the BHP Bonus Equity Plan Trust and adjusting for the BHP Billiton Limited bonus share issue. Included in the calculation of fully diluted earnings per share are shares contingently issuable under Employee Share Ownership Plans.
[d] Diluted earnings per share calculation excludes 2,177,884 of instruments (2009: nil; 2008: nil) which are considered antidilutive.

Notes to Financial Statements continued

9 Dividends

	2010 US$M	2009 US$M	2008 US$M
Dividends paid during the period			
BHP Billiton Limited	**2,787**	2,754	1,881
BHP Billiton Plc – Ordinary shares	**1,831**	1,809	1,252
– Preference shares [(a)]	**–**	–	–
	4,618	4,563	3,133
Dividends declared in respect of the period			
BHP Billiton Limited	**2,921**	2,754	2,351
BHP Billiton Plc – Ordinary shares	**1,920**	1,809	1,545
– Preference shares [(a)]	**–**	–	–
	4,841	4,563	3,896

	2010 US cents	2009 US cents	2008 US cents
Dividends paid during the period (per share)			
Prior year final dividend	**41.0**	41.0	27.0
Interim dividend	**42.0**	41.0	29.0
	83.0	82.0	56.0
Dividends declared in respect of the period (per share)			
Interim dividend	**42.0**	41.0	29.0
Final dividend	**45.0**	41.0	41.0
	87.0	82.0	70.0

Dividends are declared after period end in the announcement of the results for the period. Interim dividends are declared in February and paid in March. Final dividends are declared in August and paid in September. Dividends declared are not recorded as a liability at the end of the period to which they relate. Subsequent to year end, on 25 August 2010, BHP Billiton declared a final dividend of 45.0 US cents per share (US$2,504 million), which will be paid on 30 September 2010 (2009: 41.0 US cents per share – US$2,281 million; 2008: 41.0 US cents per share – US$2,282 million).

Each American Depositary Share (ADS) represents two ordinary shares of BHP Billiton Limited or BHP Billiton Plc. Dividends declared on each ADS represent twice the dividend declared on BHP Billiton ordinary shares.

BHP Billiton Limited dividends for all periods presented are, or will be, fully franked based on a tax rate of 30 per cent.

	2010 US$M	2009 US$M	2008 US$M
Franking credits as at 30 June	**3,861**	2,506	1,623
Franking credits arising from the payment of current tax payable	**818**	1,265	818
Total franking credits available [(b)]	**4,679**	3,771	2,441

[(a)] 5.5 per cent dividend on 50,000 preference shares of £1 each declared and paid annually (2009: 5.5 per cent; 2008: 5.5 per cent).
[(b)] The payment of the final 2010 dividend declared after 30 June 2010 will reduce the franking account balance by US$648 million.

10 Trade and other receivables

	2010 US$M	2009 US$M
Current		
Trade receivables	**5,092**	3,881
Provision for doubtful debts	**(147)**	(176)
Total trade receivables	**4,945**	3,705
Employee Share Plan loans [(a)]	**3**	4
Other receivables	**1,595**	1,444
Total current receivables [(b)]	**6,543**	5,153
Non-current		
Employee Share Plan loans [(a)]	**21**	24
Interest bearing loans receivable	**683**	–
Other receivables	**677**	738
Total non-current receivables [(b)]	**1,381**	762

	2010 US$M	2009 US$M
Movement in provision for doubtful debts		
At the beginning of the financial year	**176**	49
Charge/(credit) for the year:		
Underlying charge in the income statement	**4**	189
Released to the income statement	**(19)**	(1)
Utilised	**(14)**	(61)
At the end of the financial year	**147**	176

[(a)] Under the terms of the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent. Interest free employee loans are full recourse and are available to fund the purchase of such shares for a period of up to 20 years, repayable by application of dividends or an equivalent amount. Refer to note 32.

[(b)] Disclosures relating to receivables from related parties are set out in note 31.

Notes to Financial Statements continued

11 Other financial assets

	2010 US$M	2009 US$M
Current		
At fair value		
Cross currency and interest rate swaps	**23**	79
Forward exchange contracts	**28**	13
Commodity contracts	**240**	657
Other derivative contracts	**1**	14
Total current other financial assets	**292**	763
Non-current		
At fair value		
Cross currency and interest rate swaps	**595**	690
Commodity contracts	**42**	121
Other derivative contracts	**111**	283
Shares – fair value through profit or loss	**–**	35
Shares – available for sale	**657**	321
Other investments – available for sale [(a)]	**105**	93
Total non-current other financial assets	**1,510**	1,543

[(a)] Includes investments held by BHP Billiton Energy Coal South Africa Rehabilitation Trust. The future realisation of this investment is intended to fund environmental obligations relating to the closure of the South African coal operations, and consequently this investment, while under the Group's control, is not available for the general purposes of the Group. Any income from this investment is reinvested or applied to meet these obligations. The Group retains responsibility for these environmental obligations until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under non-current provisions. Refer to note 18.

12 Inventories

		2010 US$M	2009 US$M
Current			
Raw materials and consumables	– at net realisable value [(a)]	**–**	1
	– at cost	**1,518**	1,402
		1,518	1,403
Work in progress	– at net realisable value [(a)]	**18**	23
	– at cost	**2,129**	1,847
		2,147	1,870
Finished goods	– at net realisable value [(a)]	**300**	66
	– at cost	**1,369**	1,482
		1,669	1,548
Total current inventories		**5,334**	4,821
Non-current			
Raw materials and consumables	– at cost	**124**	54
Work in progress	– at cost	**209**	141
Finished goods	– at cost	**10**	5
Total non-current inventories		**343**	200

[(a)] US$33 million of inventory write-downs were recognised during the year (2009: US$219 million; 2008: US$24 million). Inventory write-downs of US$21 million made in previous periods were reversed during the year (2009: US$1 million; 2008: US$7 million).

13 Property, plant and equipment

Year ended 30 June 2010	Land and buildings US$M	Plant and equipment US$M	Other mineral assets US$M	Assets under construction US$M	Exploration and evaluation US$M	Total US$M
Cost						
At the beginning of the financial year	5,708	47,533	14,812	8,298	1,444	77,795
Additions	53	975	622	9,452	314	11,416
Acquisitions of subsidiaries and operations	–	–	508	–	–	508
Disposals	(117)	(870)	(6)	–	(24)	(1,017)
Disposals of subsidiaries and operations	(352)	(2,348)	(109)	(5)	–	(2,814)
Exchange variations taken to reserves	(1)	(179)	(38)	2	(1)	(217)
Transfers and other movements	857	5,449	(39)	(7,028)	235	(526)
At the end of the financial year	6,148	50,560	15,750	10,719	1,968	85,145
Accumulated depreciation						
At the beginning of the financial year	2,168	22,141	4,113	–	341	28,763
Charge for the year	235	3,813	618	–	66	4,732
Impairments for the year	3	86	–	–	256	345
Reversals of impairments	(121)	(426)	(83)	–	(1)	(631)
Disposals	(85)	(770)	(6)	–	(24)	(885)
Disposals of subsidiaries and operations	(239)	(1,925)	(26)	–	–	(2,190)
Exchange variations taken to reserves	–	(166)	(35)	–	–	(201)
Transfers and other movements	4	(233)	(159)	–	24	(364)
At the end of the financial year	1,965	22,520	4,422	–	662	29,569
Net book value at 30 June 2010	4,183	28,040	11,328	10,719	1,306	55,576

Year ended 30 June 2009	Land and buildings US$M	Plant and equipment US$M	Other mineral assets US$M	Assets under construction US$M	Exploration and evaluation US$M	Total US$M
Cost						
At the beginning of the financial year	5,114	44,293	13,069	6,703	1,253	70,432
Additions	103	521	1,457	7,717	231	10,029
Acquisitions of subsidiaries and operations	–	–	286	–	–	286
Disposals	(55)	(296)	(36)	(2)	(64)	(453)
Disposals of subsidiaries and operations	(8)	(2)	(27)	–	–	(37)
Transfer to assets held for sale	(131)	(1,708)	(5)	(90)	–	(1,934)
Exchange variations taken to reserves	(10)	(565)	(87)	–	–	(662)
Transfers and other movements	695	5,290	155	(6,030)	24	134
At the end of the financial year	5,708	47,533	14,812	8,298	1,444	77,795
Accumulated depreciation						
At the beginning of the financial year	1,659	17,678	3,547	3	213	23,100
Charge for the year	245	3,022	522	–	63	3,852
Impairments for the year	392	3,847	200	–	96	4,535
Disposals	(19)	(255)	(35)	–	(28)	(337)
Disposals of subsidiaries and operations	–	(2)	–	–	–	(2)
Transfer to assets held for sale	(110)	(1,764)	(5)	–	–	(1,879)
Exchange variations taken to reserves	(8)	(480)	(77)	–	–	(565)
Transfers and other movements	9	95	(39)	(3)	(3)	59
At the end of the financial year	2,168	22,141	4,113	–	341	28,763
Net book value at 30 June 2009	3,540	25,392	10,699	8,298	1,103	49,032

Notes to Financial Statements continued

14 Intangible assets

	2010			2009		
	Goodwill US$M	**Other intangibles US$M**	**Total US$M**	Goodwill US$M	Other intangibles US$M	Total US$M
Cost						
At the beginning of the financial year	**398**	**426**	**824**	442	418	860
Additions	**–**	**85**	**85**	–	141	141
Disposals	**–**	**(8)**	**(8)**	–	(22)	(22)
Exchange variations taken to reserves	**–**	**(1)**	**(1)**	–	(3)	(3)
Transfer to assets held for sale	**–**	**–**	**–**	(27)	–	(27)
Transfers and other movements	**(28)**	**(5)**	**(33)**	(17)	(108)	(125)
At the end of the financial year	**370**	**497**	**867**	398	426	824
Accumulated amortisation and impairments						
At the beginning of the financial year	**–**	**163**	**163**	–	235	235
Disposals	**–**	**(8)**	**(8)**	–	(16)	(16)
Charge for the year	**–**	**27**	**27**	–	19	19
Impairments for the year	**–**	**–**	**–**	27	7	34
Exchange variations taken to reserves	**–**	**(1)**	**(1)**	–	(2)	(2)
Transfer to assets held for sale	**–**	**–**	**–**	(27)	–	(27)
Transfers and other movements	**–**	**(1)**	**(1)**	–	(80)	(80)
At the end of the financial year	**–**	**180**	**180**	–	163	163
Total intangible assets [(a)]	**370**	**317**	**687**	398	263	661

[(a)] The Group's aggregate net book value of goodwill is US$370 million (2009: US$398 million), representing less than one per cent of net equity at 30 June 2010 (2009: less than two per cent). The goodwill is allocated across a number of cash generating units (CGUs) in different Customer Sector Groups, with no CGU or Customer Sector Group accounting for more than US$150 million of total goodwill.

15 Trade and other payables

	2010 US$M	2009 US$M
Current		
Trade creditors	**4,470**	3,760
Other creditors	**1,997**	1,859
Total current payables	**6,467**	5,619
Non-current		
Other creditors	**469**	187
Total non-current payables	**469**	187

16 Interest bearing liabilities

	2010 US$M	2009 US$M
Current		
Unsecured bank loans	**393**	721
Notes and debentures	**1,424**	–
Secured bank loans	**184**	109
Finance leases	**63**	60
Unsecured other	**126**	202
Unsecured bank overdrafts and short-term borrowings	**1**	2
Total current interest bearing liabilities	**2,191**	1,094
Non-current		
Unsecured bank loans	**361**	535
Notes and debentures	**12,012**	13,946
Secured bank loans [(a)]	**424**	509
Redeemable preference shares [(b)]	**15**	15
Finance leases	**162**	163
Unsecured other [(a)]	**250**	157
Secured other [(a)]	**349**	–
Total non-current interest bearing liabilities	**13,573**	15,325

[(a)] Includes US$324 million (2009: US$ nil) proportionate share of bank loans and other borrowings arranged by jointly controlled entities to fund the financing of joint venture partners. While the Group chose to finance the joint ventures directly and not to participate in the external borrowing programs arranged by the joint ventures, the Group recognises its share of those borrowings on proportionate consolidation of the assets and liabilities of each venture (refer to note 1). A corresponding amount of interest bearing loans receivable is recognised in other receivables (refer to note 10), reflecting the direct funding of the Group's contribution to each joint venture.

[(b)] Comprises 150 (2009: 150) Series A preferred shares issued by BHP Billiton Foreign Holdings Inc at US$100,000 each fully paid, cumulative, non-participating. The shares are redeemable at par at the option of BHP Billiton Foreign Holdings Inc after 3 August 2013 and at the option of the holder of the shares after 3 February 2016.

17 Other financial liabilities

	2010 US$M	2009 US$M
Current		
Cross currency and interest rate swaps	**282**	–
Forward exchange contracts	**6**	18
Commodity contracts	**194**	683
Other derivative contracts	**29**	4
Total current other financial liabilities	**511**	705
Non-current		
Cross currency and interest rate swaps	**174**	–
Commodity contracts	**41**	111
Other derivative contracts	**51**	31
Total non-current other financial liabilities	**266**	142

Notes to Financial Statements continued

18 Provisions

	2010 US$M	2009 US$M
Current		
Employee benefits [a]	**1,054**	990
Restructuring [b]	**55**	240
Closure and rehabilitation [c]	**378**	427
Post-retirement employee benefits [d]	**18**	10
Other	**394**	220
Total current provisions	**1,899**	1,887
Non-current		
Employee benefits [a]	**257**	266
Restructuring [b]	**49**	69
Closure and rehabilitation [c]	**6,264**	5,729
Post-retirement employee benefits [d]	**621**	681
Other	**242**	287
Total non-current provisions	**7,433**	7,032

[a] The expenditure associated with total employee benefits will occur in a manner consistent with when employees choose to exercise their entitlement to benefits.
[b] Total restructuring provisions include provision for business terminations of US$15 million (2009: US$276 million).
[c] Total closure and rehabilitation provisions include provision for closed sites of US$1,973 million (2009: US$2,304 million).
[d] The provision for post-retirement employee benefits includes pension liabilities of US$295 million (2009: US$376 million) and post-retirement medical benefit liabilities of US$344 million (2009: US$315 million). Refer to note 29. The non-current provision includes non-executive Directors' retirement benefits of US$1 million (2009: US$2 million).

	Employee benefits US$M	Restructuring US$M	Closure and rehabilitation US$M	Post-retirement employee benefits US$M	Other US$M	Total US$M
At the beginning of the financial year	**1,256**	**309**	**6,156**	**691**	**507**	**8,919**
Amounts capitalised	**–**	**–**	**697**	**–**	**–**	**697**
Charge/(credit) for the year:						
Underlying	**843**	**14**	**230**	**60**	**546**	**1,693**
Discounting	**–**	**6**	**348**	**130**	**–**	**484**
Expected return on pension scheme assets	**–**	**–**	**–**	**(98)**	**–**	**(98)**
Exchange variations	**29**	**16**	**85**	**14**	**6**	**150**
Released during the year	**(65)**	**(69)**	**(282)**	**–**	**(131)**	**(547)**
Actuarial loss taken to retained earnings	**–**	**–**	**–**	**38**	**–**	**38**
Exchange variations taken to reserves	**–**	**–**	**(12)**	**(6)**	**–**	**(18)**
Utilisation	**(749)**	**(152)**	**(319)**	**(180)**	**(289)**	**(1,689)**
Disposals of subsidiaries and operations	**(1)**	**(20)**	**(261)**	**(7)**	**–**	**(289)**
Transfers and other movements	**(2)**	**–**	**–**	**(3)**	**(3)**	**(8)**
At the end of the financial year	**1,311**	**104**	**6,642**	**639**	**636**	**9,332**

19 Share capital

	BHP Billiton Limited			BHP Billiton Plc		
	2010 US$M	2009 US$M	2008 US$M	**2010 US$M**	2009 US$M	2008 US$M
Share capital						
Balance at the beginning of the financial year	**1,227**	1,227	1,221	**1,116**	1,116	1,183
Exercise of Employee Share Plan Options	**–**	–	6	**–**	–	–
Shares bought back and cancelled [a]	**–**	–	–	**–**	–	(67)
Balance at the end of the financial year	**1,227**	1,227	1,227	**1,116**	1,116	1,116
Treasury shares						
Balance at the beginning of the financial year	**(1)**	(1)	(2)	**(524)**	(513)	(1,455)
Purchase of shares by ESOP Trusts	**(216)**	(132)	(230)	**(58)**	(37)	(20)
Employee share awards exercised following vesting	**216**	132	231	**58**	26	29
Shares bought back [a]	**–**	–	–	**–**	–	(3,075)
Shares cancelled [a]	**–**	–	–	**–**	–	4,008
Balance at the end of the financial year	**(1)**	(1)	(1)	**(524)**	(524)	(513)

	BHP Billiton Limited			BHP Billiton Plc		
	2010 Shares [d]	2009 Shares [d]	2008 Shares [d]	**2010 Shares [c] [d]**	2009 Shares [c] [d]	2008 Shares [c] [d]
Share capital issued						
Ordinary shares fully paid	**3,358,359,496**	3,358,359,496	3,358,359,496	**2,231,121,202**	2,231,121,202	2,231,121,202
Comprising						
– Shares held by the public	**3,358,312,376**	3,358,312,376	3,358,260,180	**2,206,076,344**	2,206,130,916	2,206,662,027
– Treasury shares	**47,120**	47,120	99,316	**25,044,858**	24,990,286	24,459,175
Ordinary shares paid to A$1.36	**110,000**	110,000	195,000			
Special Voting Share of no par value [e]	**1**	1	1			
5.5% Preference shares of £1 each [f]				**50,000**	50,000	50,000
Special Voting Share of US$0.50 par value [e]				**1**	1	1

	BHP Billiton Limited			BHP Billiton Plc		
	2010 Shares	2009 Shares	2008 Shares	**2010 Shares**	2009 Shares	2008 Shares
Movement in shares held by the public						
Opening number of shares	**3,358,312,376**	3,358,260,180	3,357,372,156	**2,206,130,916**	2,206,662,027	2,302,854,320
Shares issued on exercise of Employee Share Plan Options	**–**	–	855,923	**–**	–	–
Purchase of shares by ESOP Trusts	**(6,304,733)**	(5,274,136)	(6,550,854)	**(2,081,566)**	(1,447,706)	(589,802)
Employee share awards exercised following vesting	**6,304,733**	5,326,332	6,582,955	**2,026,994**	916,595	1,301,595
Shares bought back [a]	**–**	–	–	**–**	–	(96,904,086)
Closing number of shares [g]	**3,358,312,376**	3,358,312,376	3,358,260,180	**2,206,076,344**	2,206,130,916	2,206,662,027

19 Share capital continued

	BHP Billiton Limited			BHP Billiton Plc		
	2010 Shares	2009 Shares	2008 Shares	**2010 Shares**	2009 Shares	2008 Shares
Movement in treasury shares						
Opening number of shares	**47,120**	99,316	131,417	**24,990,286**	24,459,175	63,607,682
Purchase of shares by ESOP Trusts	**6,304,733**	5,274,136	6,550,854	**2,081,566**	1,447,706	589,802
Employee share awards exercised following vesting	**(6,304,733)**	(5,326,332)	(6,582,955)	**(2,026,994)**	(916,595)	(1,301,595)
Shares bought back [a]	**–**	–	–	**–**	–	96,904,086
Shares cancelled [a]	**–**	–	–	**–**	–	(135,340,800)
Closing number of shares	**47,120**	47,120	99,316	**25,044,858**	24,990,286	24,459,175

	BHP Billiton Limited		
	2010 Shares	2009 Shares	2008 Shares
Movement in shares partly paid to A$1.36			
Opening number of shares	**110,000**	195,000	195,000
Partly paid shares converted to fully paid [h]	**–**	(85,000)	–
Closing number of shares [i]	**110,000**	110,000	195,000

[a] On 23 August 2006, BHP Billiton announced a US$3 billion capital return to shareholders through an 18-month series of on-market share buy-backs. On 7 February 2007, a US$10 billion extension to this program was announced. As of that date, US$1,705 million of shares in BHP Billiton Plc had been repurchased under the August program, leaving US$1,295 million to be carried forward and added to the February 2007 program. All BHP Billiton Plc shares bought back are accounted for as Treasury shares within the share capital of BHP Billiton Plc. Details of the purchases are shown in the table below. Cost per share represents the average cost per share for BHP Billiton Plc shares and final cost per share for BHP Billiton Limited shares. Shares in BHP Billiton Plc purchased by BHP Billiton Limited have been cancelled, in accordance with the resolutions passed at the 2006 Annual General Meetings.

Year ended	Shares purchased	Number	Cost per share and discount	Total cost US$M	Purchased by: BHP Billiton Limited Shares	BHP Billiton Limited US$M	BHP Billiton Plc Shares	BHP Billiton Plc US$M
30 June 2008	BHP Billiton Plc	96,904,086	£12.37 8.7 per cent [i]	3,075	96,904,086	3,075	–	–

[i] Represents the discount to the average BHP Billiton Limited share price between 7 September 2006 and 14 December 2007.

As at 30 June 2010, shares in BHP Billiton Plc bought back as part of the above program but not cancelled are held as Treasury shares. On 14 December 2007, the share buy-back program was suspended in light of the Group's offers for Rio Tinto plc and Rio Tinto Limited. On 27 November 2008, the offers lapsed. No shares were bought back under the program in the year ended 30 June 2010.

[b] An Equalisation Share (US$0.50 par value) has been authorised to be issued to enable a distribution to be made by BHP Billiton Plc Group to the BHP Billiton Limited Group should this be required under the terms of the DLC merger. The Directors have the ability to issue the Equalisation Share if required under those terms. The Constitution of BHP Billiton Limited allows the Directors of that Company to issue a similar Equalisation Share. There has been no movement in this class of share. This share forms part of BHP Billiton Plc's total share capital.

[c] The total number of BHP Billiton Plc authorised ordinary shares of US$0.50 par value is 2,762,974,200 (2009: 2,762,974,200; 2008: 2,762,974,200).

[d] The total number of BHP Billiton Limited shares of all classes is 3,358,469,497 of which 99.99 per cent are ordinary shares fully paid (2009: 3,358,469,497, 99.99 per cent; 2008: 3,358,554,497, 99.99 per cent). The total number of BHP Billiton Plc shares of all classes is 2,763,024,202, of which 99.99 per cent are authorised ordinary shares of US$0.50 par value (2009: 2,763,024,202, 99.99 per cent; 2008: 2,763,024,202, 99.99 per cent). Any surplus remaining after payment of preferred distributions shall be payable to the holders of BHP Billiton Limited and BHP Billiton Plc ordinary shares in equal amounts per share.

[e] Each of BHP Billiton Limited and BHP Billiton Plc issued one Special Voting Share to facilitate joint voting by shareholders of BHP Billiton Limited and BHP Billiton Plc on Joint Electorate Actions. There has been no movement in these shares.

[f] Preference shares have the right to repayment of the amount paid up on the nominal value and any unpaid dividends in priority to the holders of any other class of shares in BHP Billiton Plc on a return of capital or winding up. The holders of preference shares have limited voting rights if payment of the preference dividends are six months or more in arrears or a resolution is passed changing the rights of the preference shareholders. There has been no movement in these shares, all of which are held by JP Morgan plc.

[g] During the period 1 July 2010 to 7 September 2010, no Executive Share Scheme partly paid shares were paid up in full, no fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan Options, no fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Performance Share Plan Performance Rights and no fully paid ordinary shares were issued on the exercise of Group Incentive Scheme awards.

[h] During the year ended 30 June 2009, partly paid shares were converted to an equal number of fully paid shares and satisfied via on-market purchase.

[i] At 30 June 2010, 70,000 partly paid shares on issue are entitled to 79,928 bonus shares on becoming fully paid. The remaining partly paid shares are entitled to an equal number of fully paid shares upon conversion to fully paid shares.

20 Other equity

	2010 US$M	2009 US$M	2008 US$M
Reserves			
Share premium account [a]			
Balance at the beginning of the financial year	**518**	518	518
Balance at the end of the financial year	**518**	518	518
Foreign currency translation reserve [b]			
Balance at the beginning of the financial year	**24**	(3)	18
Exchange fluctuations on translation of foreign operations taken to equity	**1**	27	(21)
Exchange fluctuations on translation of foreign operations taken to the income statement	**(10)**	–	–
Total other comprehensive income	**(9)**	27	(21)
Balance at the end of the financial year	**15**	24	(3)
Employee share awards reserve [c]			
Balance at the beginning of the financial year	**434**	372	261
Deferred tax arising on accrued employee entitlement for unexercised awards	**69**	(89)	51
Total other comprehensive income	**69**	(89)	51
Accrued employee entitlement for unvested awards	**170**	185	97
Employee share awards exercised following vesting	**(88)**	(34)	(37)
Employee share awards lapsed	**(28)**	–	–
Balance at the end of the financial year	**557**	434	372
Hedging reserve – cash flow hedges [d]			
Balance at the beginning of the financial year	**9**	(417)	(87)
Net (loss)/gain on cash flow hedges taken to equity	**(15)**	710	(383)
Net realised loss on cash flow hedges transferred to the income statement	**2**	22	73
Net unrealised gain on cash flow hedges transferred to the income statement	**–**	(48)	–
Net gains on cash flow hedges transferred to initial carrying amount of hedged items	**–**	(26)	(190)
Deferred tax relating to cash flow hedges	**4**	(232)	170
Total other comprehensive income	**(9)**	426	(330)
Balance at the end of the financial year	**–**	9	(417)
Financial assets reserve [e]			
Balance at the beginning of the financial year	**202**	162	230
Net valuation gain/(loss) taken to equity	**160**	3	(76)
Net valuation losses transferred to the income statement	**2**	58	–
Deferred tax relating to revaluations	**(16)**	(21)	8
Total other comprehensive income	**146**	40	(68)
Balance at the end of the financial year	**348**	202	162
Share buy-back reserve [f]			
Balance at the beginning of the financial year	**118**	118	51
BHP Billiton Plc shares cancelled	**–**	–	67
Balance at the end of the financial year	**118**	118	118
Non-controlling interest contribution reserve [g]			
Balance at the beginning of the financial year	**–**	–	–
Issue of share options to non-controlling interests	**43**	–	–
Distribution to option holders	**(10)**	–	–
Transactions with owners – contributed equity	**317**	–	–
Balance at the end of the financial year	**350**	–	–
Total reserves	**1,906**	1,305	750

Notes to Financial Statements continued

20 Other equity continued

	2010 US$M	2009 US$M	2008 US$M
Retained earnings			
Balance at the beginning of the financial year	**36,831**	35,756	27,729
Profit for the year	**12,722**	5,877	15,390
Actuarial losses	**(38)**	(224)	(95)
Tax recognised directly in other comprehensive income	**54**	89	77
Total comprehensive income	**12,738**	5,742	15,372
Dividends paid	**(4,618)**	(4,563)	(3,133)
BHP Billiton Plc share buy-back – refer to note 19	**–**	–	(4,008)
Employee share awards exercised following vesting, net of employee contributions and lapses	**(150)**	(104)	(204)
Balance at the end of the financial year	**44,801**	36,831	35,756

	2010 US$M	2009 US$M	2008 US$M
Non-controlling interests			
Balance at the beginning of the financial year	**757**	708	251
Profit for the year	**287**	461	572
Actuarial losses on pension and medical schemes	**–**	(3)	(1)
Net valuation gains taken to equity	**7**	–	–
Tax recognised directly in other comprehensive income	**–**	–	–
Total comprehensive income	**294**	458	571
Issue of share options to non-controlling interests	**16**	–	–
Distribution to option holders	**(6)**	–	–
Transactions with owners – contributed equity	**20**	(3)	(1)
Dividends paid	**(277)**	(406)	(113)
Balance at the end of the financial year	**804**	757	708

(a) The share premium account represents the premium paid on the issue of BHP Billiton Plc shares recognised in accordance with the UK Companies Act 2006.
(b) The foreign currency translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations within the Group into US dollars.
(c) The employee share awards reserve represents the accrued employee entitlements to share awards that have been charged to the income statement and have not yet been exercised.
(d) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the hedged transaction impacts the income statement, or is recognised as an adjustment to the cost of non-financial hedged items.
(e) The financial assets reserve represents the revaluation of available for sale financial assets. Where a revalued financial asset is sold or impaired, the relevant portion of the reserve is transferred to the income statement.
(f) The share buy-back reserve represents the par value of BHP Billiton Plc shares which were purchased and subsequently cancelled. The cancellation of the shares creates a non-distributable reserve.
(g) The non-controlling interest contribution reserve represents the excess of consideration received over the book value of net assets attributable to the equity instruments held by non-controlling interests.

21 Contingent liabilities

Contingent liabilities at balance date, not otherwise provided for in the financial statements, are categorised as arising from:

	2010 US$M	2009 US$M
Jointly controlled entities		
Bank guarantees [a]	**7**	–
Actual or potential litigation [b]	**878**	724
	885	724
Subsidiaries and jointly controlled assets (including guarantees)		
Bank guarantees [a]	**1**	1
Actual or potential litigation [b]	**455**	217
Other	**3**	9
	459	227
Total contingent liabilities	**1,344**	951

(a) The 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) Actual or potential litigation amounts relate to a number of actions against the Group, none of which are individually significant and where the liability is not probable and therefore the Group has not provided for such amounts in these financial statements. 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.

22 Commitments

	2010 US$M	2009 US$M
Capital expenditure commitments not provided for in the financial statements		
Due not later than one year	**4,311**	3,716
Due later than one year and not later than two years	**491**	895
Due later than two years and not later than three years	**171**	126
Due later than three years and not later than four years	**16**	35
Total capital expenditure commitments	**4,989**	4,772
Lease expenditure commitments		
Finance leases		
Due not later than one year	**95**	89
Due later than one year and not later than two years	**60**	57
Due later than two years and not later than three years	**51**	59
Due later than three years and not later than four years	**49**	46
Due later than four years and not later than five years	**49**	46
Due later than five years	**140**	179
Total commitments under finance leases	**444**	476
Future financing charges	**(111)**	(133)
Right to reimbursement from joint venture partner	**(108)**	(120)
Finance lease liability	**225**	223
Operating leases [(a)]		
Due not later than one year	**695**	576
Due later than one year and not later than two years	**580**	659
Due later than two years and not later than three years	**601**	450
Due later than three years and not later than four years	**255**	316
Due later than four years and not later than five years	**98**	91
Due later than five years	**830**	200
Total commitments under operating leases	**3,059**	2,292
Other expenditure commitments [(b)]		
Due not later than one year	**2,793**	2,626
Due later than one year and not later than two years	**1,291**	1,486
Due later than two years and not later than three years	**1,111**	877
Due later than three years and not later than four years	**768**	971
Due later than four years and not later than five years	**444**	657
Due later than five years	**1,923**	1,803
Total commitments for other expenditure	**8,330**	8,420

(a) Operating leases are entered into as a means of acquiring property, plant and equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. Certain leases contain extension and renewal options.
(b) Other expenditure commitments include the supply of goods and services, royalties, exploration expenditure and chartering costs.

Other Commitments

On 5 June 2009, BHP Billiton signed a framework agreement, including non-binding core principles, with Rio Tinto to form a 50–50 production joint venture combining the economic interests of both companies' current and future iron ore assets in Western Australia. On 5 December 2009, BHP Billiton and Rio Tinto signed binding agreements that set out the terms that will regulate the establishment of the joint venture and its ongoing operation. To equalise the net value of the parties' asset contributions to the joint venture, at completion BHP Billiton will pay US$5.8 billion to Rio Tinto, adjusted to reflect equalisation of net cash flows from 1 July 2009 to completion. There is a US$275.5 million break fee associated with this transaction which is payable by either party under certain circumstances.

23 Notes to the consolidated cash flow statement

Cash and cash equivalents

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

	2010 US$M	2009 US$M	2008 US$M
Cash and cash equivalents comprise:			
Cash	**1,369**	1,156	1,734
Short-term deposits	**11,087**	9,677	2,503
Total cash and cash equivalents [(a)]	**12,456**	10,833	4,237
Bank overdrafts and short-term borrowings – refer to note 16	**(1)**	(2)	(64)
Total cash and cash equivalents, net of overdrafts	**12,455**	10,831	4,173

[(a)] Cash and cash equivalents include US$330 million (2009: US$368 million; 2008: US$591 million) which is restricted by legal or contractual arrangements.

Exploration and evaluation expenditure

Exploration and evaluation expenditure (excluding impairments) is classified as an investing activity as described in IAS 7/AASB 107 'Cash Flow Statements' and is therefore a reconciling item between profit after taxation and net operating cash flows.

Exploration and evaluation expenditure classified as investing activities in the cash flow statement is reconciled as follows:

	2010 US$M	2009 US$M	2008 US$M
Expensed in the income statement (excluding impairments)	**1,030**	1,009	859
Capitalised in property, plant and equipment	**303**	234	491
Cash outflow from investing activities	**1,333**	1,243	1,350

Significant non-cash investing and financing transactions

Property, plant and equipment of US$56 million (2009: US$59 million; 2008: US$211 million) was acquired under finance leases.

Property, plant and equipment of US$236 million (2009: US$ nil; 2008: US$ nil) was acquired under vendor financing arrangements.

Disposal of subsidiaries and operations

The Group disposed of the following subsidiaries and operations during the year ended:

30 June 2010

- Esidulini game reserve
- Kendilo coal operation
- Manganese Metal Company (Pty) Ltd
- Pering mine
- Ravensthorpe nickel operations
- Suriname Bauxite Mines and the Paranam Refinery
- Yabulu nickel refinery

30 June 2009

- BHP Asia Pacific Nickel Pty Ltd
- Mayaniquel SA
- Minera Geleen SA
- PT Gag Nickel
- Sociedad Contractual Minera Otway

30 June 2008

- Elouera coal mine
- Optimum Colliery operations

23 Notes to the consolidated cash flow statement continued

The carrying amount of assets and liabilities disposed are as follows:

	2010 US$M	2009 US$M	2008 US$M
Cash and cash equivalents	**137**	–	–
Trade and other receivables	**11**	1	14
Inventories	**169**	–	20
Current tax assets	**9**	–	–
Other current assets	**11**	6	–
Property, plant and equipment	**682**	35	223
Trade and other payables	**(66)**	(1)	(107)
Interest bearing liabilities	**(27)**	–	–
Current tax payable	**(1)**	–	–
Provisions	**(590)**	–	(304)
Net identifiable assets/(liabilities) [(a)]	**335**	41	(154)
Gross consideration	**351**	23	(88)
Less cash balances disposed of	**(137)**	–	–
Net consideration	**214**	23	(88)
Comprising of:			
– Cash	**214**	17	38
– Deferred consideration/(payable)	**–**	6	(126)
Total net consideration received/(paid)	**214**	23	(88)
Gains/(losses) on sale of subsidiaries and operations	**16**	(18)	66

[(a)] Net identifiable assets/(liabilities) disposed of in the current financial year include property, plant and equipment of US$58 million, current tax assets of US$9 million and provisions of US$301 million classified as held for sale in 2009.

Acquisition of subsidiaries and operations

The Group acquired the following subsidiaries and operations during the year ended:

30 June 2010

- 100 per cent of Athabasca Potash Inc.
- 100 per cent of United Minerals Corporations NL

30 June 2009

- 100 per cent of Anglo Potash Limited

30 June 2008

- A 33.3 per cent interest in Guinea Alumina Corporation Ltd

The fair values of assets and liabilities acquired are as follows:

	2010 US$M	2009 US$M	2008 US$M
Property, plant and equipment	**508**	270	30
Net identifiable assets	**508**	270	30
Net consideration paid	**508**	270	30

24 Business combinations

30 June 2010

There were no business combinations entered into by the Group in the current or previous financial year.

25 Subsidiaries

Significant subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activity	The Group's effective interest 2010 %	2009 %
Anglo Potash Limited	Canada	Potash exploration	**100**	100
Athabasca Potash Inc.	Canada	Potash exploration	**100**	–
BHP Billiton Aluminium Australia Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
BHP Billiton Aluminium (RAA) Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
BHP Billiton Aluminium (Worsley) Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
BHP Billiton Canada Inc.	Canada	Diamond mining	**100**	100
BHP Billiton Direct Reduced Iron Pty Ltd	Australia	Hot briquette iron plant (closed)	**100**	100
BHP Billiton Energy Coal South Africa Limited	South Africa	Coal 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 Foreign Holdings Inc.	US	Holding company	**100**	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton International Services Limited	UK	Service company	**100**	100
BHP Billiton Iron Ore Pty Limited	Australia	Service 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, coal, silver, lead and zinc mining	**100**	100
BHP Billiton Nickel Operations Pty Ltd	Australia	Holding company	**100**	100
BHP Billiton Nickel West Pty Ltd	Australia	Nickel mining, smelting, refining and administrative services	**100**	100
BHP Billiton Olympic Dam Corporation Pty Ltd	Australia	Copper and uranium 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 (Colombia) Corporation	Canada	Hydrocarbons exploration and 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 Limited	UK	Hydrocarbons production	**100**	100
BHP Billiton Petroleum (International Exploration) Pty Ltd	Australia	Hydrocarbons development and production	**100**	100
BHP Billiton Petroleum (New Ventures) Corporation	Canada	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Sabah) Corporation	Canada	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum Pty Ltd	Australia	Hydrocarbons exploration 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 Shared Business Services Pty Ltd	Australia	Service company	**100**	100
BHP Billiton Shared Services Malaysia Sdn. Bhd.	Malaysia	Service company	**100**	100
BHP Billiton SSM Development Pty Ltd	Australia	Holding company	**100**	100
BHP Billiton (Trinidad – 2c) Limited	Canada	Hydrocarbons development	**100**	100
BHP Billiton World Exploration Inc.	Canada	Minerals exploration	**100**	100
BHP Canadian Diamonds Company	Canada	Diamond mining	**100**	100
BHP Chile Inc.	US	Service company	**100**	100
BHP Coal Pty Limited	Australia	Holding company and coal mining	**100**	100
BHP Copper Inc.	US	Holding company and copper mining	**100**	100
BHP Escondida Inc.	US	Holding company	**100**	100
BHP Iron Ore (Jimblebar) Pty Ltd	Australia	Iron ore mining	**100**	100
BHP Mitsui Coal Pty Limited	Australia	Holding company and coal mining	**80**	80
BHP Navajo Coal Company	US	Coal mining	**100**	100
BHP Petroleum (Laurentian) Corporation	Canada	Hydrocarbons exploration and production	**100**	100
BHP Petroleum (Pakistan) Pty Ltd	Australia	Hydrocarbons production	**100**	100

25 Subsidiaries continued

Name	Country of incorporation	Principal activity	The Group's effective interest 2010 %	2009 %
BHP Queensland Coal Investments Pty Ltd	Australia	Holding company and coal mining	**100**	100
BHPB Freight Pty Ltd	Australia	Transport services	**100**	100
Billiton Aluminium SA Limited	South Africa	Aluminium smelting	**100**	100
Billiton Marketing Holding BV	Netherlands	Holding company	**100**	100
Billiton Nickel (Ravensthorpe) Pty Ltd	Australia	Holding company	**100**	100
Broken Hill Proprietary (USA) Inc.	US	Service company	**100**	100
Cerro Matoso SA	Colombia	Nickel mining and ferro-nickel smelting	**99.9**	99.9
Compañia Minera Cerro Colorado Limitada	Chile	Copper mining	**100**	100
Dendrobium Coal Pty Ltd	Australia	Coal mining	**100**	100
Endeavour Coal Pty Ltd	Australia	Coal mining	**100**	100
Groote Eylandt Mining Company Pty Ltd	Australia	Manganese mining	**60**	60
Hillside Aluminium Limited	South Africa	Aluminium smelting	**100**	100
Hotazel Manganese Mines (Proprietary) Limited	South Africa	Manganese ore mining and processing	**54.6**	–
Hunter Valley Energy Coal Pty Ltd	Australia	Coal mining	**100**	100
Illawarra Coal Holdings Pty Ltd	Australia	Coal mining	**100**	100
Illawarra Services Pty Ltd	Australia	Coal mining	**100**	100
Minera Spence SA	Chile	Copper mining	**100**	100
QNI Western Australia Pty Limited	Australia	Holding company	**100**	100
Rio Algom Limited	Canada	Holding company	**100**	100
Samancor AG	Switzerland	Marketing	**60**	60
Samancor Manganese Proprietary Limited	South Africa	Manganese mining and manganese alloys	**60**	60
San Juan Coal Company	US	Coal mining	**100**	100
Tasmanian Electro Metallurgical Company Pty Ltd	Australia	Manganese alloys	**60**	60
UMAL Consolidated Pty Ltd	Australia	Holding company and coal mining	**100**	100
United Iron Pty Ltd	Australia	Iron ore exploration	**100**	–
WMC Finance (USA) Limited	Australia	Finance	**100**	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.

26 Interests in jointly controlled entities

All entities included below are subject to joint control as a result of governing contractual arrangements.

Major shareholdings in jointly controlled entities	Country of incorporation	Principal activity	Reporting date [a]	Ownership interest [a] 2010 %	Ownership interest [a] 2009 %
Caesar Oil Pipeline Company LLC	US	Hydrocarbons transportation	31 May	**25**	25
Cleopatra Gas Gathering Company LLC	US	Hydrocarbons transportation	31 May	**22**	22
Guinea Alumina Corporation Ltd	British Virgin Islands	Bauxite mine and alumina refinery development	31 Dec	**33.3**	33.3
Mozal SARL	Mozambique	Aluminium smelting	30 June	**47.1**	47.1
Compañia Minera Antamina SA	Peru	Copper and zinc mining	30 June	**33.75**	33.75
Minera Escondida Limitada [b]	Chile	Copper mining	30 June	**57.5**	57.5
Phola Coal Processing Plant (Pty) Ltd	South Africa	Coal handling and processing plant	30 June	**50**	50
Richards Bay Minerals [c]	South Africa	Mineral sands mining and processing	31 Dec	**37.76**	50
Samarco Mineracao SA	Brazil	Iron ore mining	31 Dec	**50**	50
Carbones del Cerrejón LLC	Anguilla	Coal mining in Colombia	31 Dec	**33.33**	33.33
Newcastle Coal Infrastructure Group Pty Limited	Australia	Coal export terminal	30 June	**35.5**	35.5

	Group share 2010 US$M	Group share 2009 US$M
Net assets of jointly controlled entities		
Current assets	**3,352**	2,813
Non-current assets	**7,212**	7,275
Current liabilities	**(2,162)**	(2,092)
Non-current liabilities	**(2,388)**	(2,029)
Net assets	**6,014**	5,967

	Group share 2010 US$M	Group share 2009 US$M	Group share 2008 US$M
Share of jointly controlled entities' profit			
Revenue	**8,642**	6,130	10,728
Net operating costs	**(4,597)**	(4,103)	(3,912)
Operating profit	**4,045**	2,027	6,816
Net finance costs	**(68)**	(129)	(94)
Income tax expense	**(903)**	(465)	(1,418)
Profit after taxation	**3,074**	1,433	5,304

	Group share 2010 US$M	Group share 2009 US$M
Share of contingent liabilities and expenditure commitments of jointly controlled entities		
Contingent liabilities	**885**	724
Capital expenditure commitments	**274**	152
Other expenditure commitments	**1,455**	1,537

[a] The ownership interest at the Group's and the jointly controlled entity's reporting date are the same. While the annual financial reporting date may be different to the Group's, financial information is obtained as at 30 June in order to report on a consistent annual basis with the Group's reporting date.

[b] While the Group holds a 57.5 per cent interest in Minera Escondida Limitada, the entity is subject to effective joint control due to participant and management agreements which results in the operation of an Owners' Council, whereby significant commercial and operational decisions are determined on aggregate voting interests of at least 75 per cent of the total ownership interest. Accordingly the Group does not have the ability to unilaterally control, and therefore consolidate, the investment in accordance with IAS 27/AASB 127 'Consolidated and Separate Financial Statements'.

[c] Richards Bay Minerals comprises two legal entities, Richards Bay Mining (Proprietary) Limited and Richards Bay Titanium (Proprietary) Limited, in each of which the Group has a 50 per cent interest and which function as a single economic entity. After deducting non-controlling interests in subsidiaries of Richards Bay Minerals, the Group's economic interest in the operations of Richards Bay Minerals is 37.76 per cent.

27 Interests in jointly controlled assets

The principal jointly controlled assets in which the Group has an interest and which are proportionately included in the financial statements are as follows:

Name	Country of operation	Principal activity	The Group's effective interest 2010 %	2009 %
Atlantis	US	Hydrocarbons exploration and production	**44**	44
Bass Strait	Australia	Hydrocarbons exploration and production	**50**	50
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 and production	**35**	35
North West Shelf	Australia	Hydrocarbons exploration and production	**8-17**	8-17
Ohanet	Algeria	Hydrocarbons exploration and production	**45**	45
Pyrenees	Australia	Hydrocarbons exploration and development	**71.43**	71.43
ROD Integrated Development	Algeria	Hydrocarbons exploration and production	**45**	45
Shenzi	US	Hydrocarbons exploration and production	**44**	44
Stybarrow	Australia	Hydrocarbons exploration and production	**50**	50
Greater Angostura	Trinidad and Tobago	Hydrocarbons production	**45**	45
Zamzama	Pakistan	Hydrocarbons exploration and production	**38.5**	38.5
Alumar	Brazil	Alumina refining	**36**	36
		Aluminium smelting	**40**	40
Billiton Suriname [(a)]	Suriname	Bauxite mining and alumina refining	**–**	45
Worsley	Australia	Bauxite mining and alumina refining	**86**	86
Central Queensland Coal Associates	Australia	Coal mining	**50**	50
Gregory	Australia	Coal mining	**50**	50
Mt Goldsworthy	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/Middelburg Mine [(b)]	South Africa	Coal mining	**–**	84

	2010 US$M	2009 US$M
Share of contingent liabilities and capital expenditure commitments relating to jointly controlled assets		
Contingent liabilities – unsecured [(c)]	**120**	94
Contracts for capital expenditure commitments not completed [(c)]	**4,103**	4,282

[(a)] Billiton Suriname was sold effective 31 July 2009.
[(b)] The Douglas/Middelburg Mine joint venture was dissolved on 1 December 2009. The mining leases, previously held jointly by Xstrata Plc, (through Tavistock Collieries Plc) and BHP Billiton Energy Coal South Africa Limited, have been divided into discrete areas which are now wholly owned and operated by Tavistock Collieries Plc and BHP Billiton Energy Coal South Africa Limited.
[(c)] Included in contingent liabilities and capital expenditure commitments for the Group. Refer to notes 21 and 22 respectively.

28 Financial risk management

The Group financial risk management strategy

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

A Cash Flow at Risk ('CFaR') framework is used to measure the aggregate and diversified impact of financial risks upon the Group's financial targets. The principal measurement of risk is CFaR measured on a portfolio basis – which is defined as the worst expected loss relative to projected business plan cash flows over a one-year horizon under normal market conditions at a confidence level of 95 per cent. The CFaR framework includes Board-approved limits on the quantum of the CFaR relative to the Group's financial targets.

Market risk

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

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

Activity	Key risk management processes
1 Risk mitigation Hedging of revenues with financial instruments may be executed to mitigate risk at the portfolio level when CFaR exceeds the Board-approved limits. Similarly, and on an exception basis, hedging for the purposes of mitigating risk related to specific and significant expenditure on investments or capital projects will be executed if necessary to support the Group's strategic objectives.	• Assessment of portfolio CFaR against Board-approved limits • Execution of transactions within approved mandates
2 Economic hedging of commodity sales, operating costs and debt instruments Where group commodity production is sold to customers on pricing terms that deviate from the relevant index target, and where a relevant derivatives market exists, financial instruments may be executed as an economic hedge to align the revenue price exposure with the index target. Where debt is issued in a currency other than the US dollar and/or at a fixed interest rate, fair value hedges may be executed to align the debt exposure with the Group's functional currency of US dollars and/or to swap to a floating interest rate.	• Assessment of portfolio CFaR against Board-approved limits • Measuring and reporting the exposure in customer commodity contracts and issued debt instruments • Executing hedging derivatives to align the total group exposure to the index target
3 Strategic financial transactions Opportunistic transactions may be executed with financial instruments to capture value from perceived market over/under valuations.	• Exposures managed within value at risk and stop loss limits • Execution of transactions within approved mandates
4 Proprietary trading Certain of our business units are mandated to undertake trading activities in specifically approved commodity derivatives. These activities are in support of our underlying commodity businesses and provide market and commercial insight.	• Measuring and reporting the exposure in mandated activities • Exposures managed within approved mandates (including position limits, value at risk limits and stop loss limits)

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

Interest rate risk

The Group is exposed to interest rate risk on its outstanding borrowings and investments from the possibility that changes in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. Interest rate risk is managed as part of the Portfolio Risk Management Strategy and within the overall CFaR limit.

The majority of the Group's debt is raised under central borrowing programs. The Group has entered into interest rate swaps and cross currency interest rate swaps to convert most of the centrally raised debt into US dollar floating rate exposures. As at 30 June 2010, the Group holds US$2,577 million (2009: US$7,696 million) of fixed interest borrowings that have not been swapped to floating rates, arising principally from debt raised during the year ended 30 June 2009 and debt raised prior to the DLC merger. The Group's strategy has not changed and the remainder of the fixed rate debt raised during the year ended 30 June 2009 has been swapped to floating interest rates since 30 June 2010. The Group's earnings are sensitive to changes in interest rates on the floating rate component of the Group's net borrowings.

28 Financial risk management continued

The fair value of interest rate swaps, cross currency interest rate swaps, currency swaps and forward exchange contracts in fair value hedge relationships used to hedge both interest rate and foreign currency risks are as follows:

	Fair value	
	2010 US$M	2009 US$M
Interest rate swaps		
US dollar swaps		
Pay floating/receive fixed		
Not later than one year	**13**	–
Later than one year but not later than two years	**90**	30
Later than two years but not later than five years	**200**	156
Later than five years	**288**	180
Cross currency interest rate swaps		
Euro to US dollar swaps		
Pay floating/receive fixed		
Not later than one year	**10**	–
Later than one year but not later than two years	**–**	147
Later than two years but not later than five years	**17**	114
Euro to US dollar swaps		
Pay fixed/receive fixed		
Later than five years	**(174)**	–
Forward exchange contracts		
Euro to US dollar foreign exchange contract		
Pay US dollar/receive Euro		
Not later than one year	**(282)**	–
Total fair value of derivatives	**162**	627

Included within 'Cross currency and interest rate swaps' in note 11 are derivatives held to hedge currency risk on Euro Bonds raised during the year ended 30 June 2009. These are discussed in 'Currency risk' below.

Based on the net debt position as at 30 June 2010, taking into account interest rate swaps and cross currency interest rate swaps, it is estimated that a one percentage point increase in the US LIBOR interest rate will decrease the Group's profit after taxation and equity by US$2 million (2009: increase of US$23 million). This assumes that the change in interest rates is effective from the beginning of the financial year and the fixed/floating mix and balances are constant over the year. However, interest rates and the debt profile of the Group may not remain constant in the coming financial year and therefore such sensitivity analysis should be used with care.

Currency risk

The US dollar is the functional currency of most operations within the Group and as a result currency exposures arise from transactions and balances in currencies other than the US dollar. The Group's potential currency exposures comprise:

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

The Group's foreign currency risk is managed as part of the Portfolio Risk Management Strategy within the overall CFaR limit.

28 Financial risk management continued

Translational exposure in respect of non-functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation are periodically restated to US dollar equivalents, and the associated gain or loss is taken to the income statement. The exception is foreign exchange gains or losses on foreign currency provisions for closure and rehabilitation at operating sites which are capitalised in property, plant and equipment.

The following table shows the foreign currency risk arising from financial assets and liabilities which are denominated in currencies other than the functional currency of the operations.

	Net financial assets/(liabilities)					
2010	**US$ US$M**	**A$ US$M**	**SA rand US$M**	**GBP US$M**	**Other US$M**	**Total US$M**
Functional currency of Group operation						
US dollars	**–**	**(1,398)**	**90**	**31**	**(942)**	**(2,219)**
Australian dollars	**(1)**	**–**	**–**	**–**	**–**	**(1)**
UK pounds sterling	**4**	**–**	**–**	**–**	**–**	**4**
	3	**(1,398)**	**90**	**31**	**(942)**	**(2,216)**

	Net financial assets/(liabilities)					
2009	US$ US$M	A$ US$M	SA rand US$M	GBP US$M	Other US$M	Total US$M
Functional currency of Group operation						
US dollars	–	(1,895)	306	87	(248)	(1,750)
Australian dollars	–	–	–	–	–	–
UK pounds sterling	3	–	–	–	–	3
	3	(1,895)	306	87	(248)	(1,747)

In March 2009, the Group issued a two tranche Euro Bond, comprising €1,250 million of 4.75 per cent Euro Bonds due 2012 and €1,000 million of 6.375 per cent Euro Bonds due 2016. Cross currency swaps and forward exchange contracts were taken out to hedge the currency risk on these bonds. These contracts were designated as cash flow hedges of the foreign currency risk associated with the Euro Bonds. The fair value of these derivatives is as follows:

	Fair value	
	2010 US$M	2009 US$M
Cross currency swaps		
Euro to US dollar swaps		
Pay fixed/received fixed		
Later than five years	**–**	63
Forward exchange contracts		
Euro to US dollar foreign exchange contract		
Pay US dollar/receive Euro		
Not later than one year	**–**	79
Total fair value of derivatives	**–**	142

During the year ended 30 June 2010, the cash flow hedge relationships have been de-designated. Interest rate swaps, cross currency interest rate swaps, currency swaps and forward exchange contracts were taken out and have been designated as fair value hedges for risks associated with the Euro Bonds. These are discussed in 'Interest rate risk' above.

28 Financial risk management continued

The principal non-functional currencies to which the Group is exposed are the Australian dollar, South African rand and UK pound sterling. Based on the Group's net financial assets and liabilities as at 30 June 2010, a weakening of the US dollar against these currencies as illustrated in the table below, with all other variables held constant, would have affected post-tax profit and equity as follows:

	2010 US$M		2009 US$M	
Currency movement	**Post-tax profit**	**Equity**	Post-tax profit	Equity
1 cent movement in Australian dollar	**(9)**	**(8)**	(11)	(11)
0.2 rand movement in South African rand	**(2)**	**5**	3	5
1 pence movement in UK pound sterling	**–**	**–**	1	1

The Group's financial asset and liability profile may not remain constant, and therefore these sensitivities should be used with care.

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

Certain operating and capital expenditure is incurred by some operations in currencies other than their functional currency. To a lesser extent, certain sales revenue is earned in currencies other than the functional currency of operations, and certain exchange control restrictions may require that funds be maintained in currencies other than the functional currency of the operation. These currency risks are managed as part of the Portfolio Risk Management Strategy and within the overall CFaR limit. When required under this strategy the Group enters into forward exchange contracts.

The fair value of forward exchange contracts outstanding to manage short-term foreign currency cash flows relating to operating activities is an asset of US$22 million (2009: a liability of US$5 million).

Commodity price risk

Contracts for the sale and physical delivery of commodities are executed whenever possible on a pricing basis intended to achieve a relevant index target. Where pricing terms deviate from the index, derivative commodity contracts are used when available to return realised prices to the index. Contracts for the physical delivery of commodities are not typically financial instruments and are carried in the balance sheet at cost (typically at nil); they are therefore excluded from the fair value and sensitivity tables below. Accordingly, the financial instrument exposures set out in the tables below do not represent all of the commodity price risks managed according to the Group's objectives. Movements in the fair value of contracts included in the tables below are offset by movements in the fair value of the physical contracts, however only the former movement is recognised in the Group's income statement prior to settlement. The risk associated with commodity prices is managed as part of the Portfolio Risk Management Strategy and within the overall CFaR limit.

Financial instruments with commodity price risk included in the following tables are those entered into for the following activities:

- economic hedging of prices realised on commodity contracts as described above
- proprietary trading
- purchases and sales of physical contracts that can be cash-settled
- cash flow hedging of revenues
- derivatives embedded within other supply contracts

All such instruments are carried in the balance sheet at fair value.

Forward commodity and other derivative contracts

	2010		2009	
	Fair value of asset US$M	**Fair value of liability US$M**	Fair value of asset US$M	Fair value of liability US$M
Aluminium	**21**	**26**	123	88
Copper	**83**	**84**	385	404
Zinc	**29**	**19**	13	16
Lead	**40**	**26**	20	20
Silver	**4**	**9**	12	10
Nickel	**47**	**36**	55	77
Iron ore	**–**	**2**	9	–
Energy coal	**21**	**31**	71	74
Metallurgical coal	**–**	**2**	–	1
Petroleum	**–**	**33**	5	46
Electricity	**–**	**–**	206	2
Gas	**111**	**31**	92	3
Freight	**38**	**13**	84	88
Other	**–**	**3**	–	–
Total	**394**	**315**	1,075	829
Comprising:				
Current	**241**	**223**	671	687
Non-current	**153**	**92**	404	142

28 Financial risk management continued

The Group's exposure at 30 June 2010 to the impact of movements in commodity prices upon the financial instruments, other than those designated as a cash flow hedge or embedded derivatives, is set out in the following table.

		2010		2009	
	Units of exposure	**Net exposure receive/ (deliver)**	**Impact on equity and profit of 10% movement in market price (post-tax) US$M**	Net exposure receive/ (deliver)	Impact on equity and profit of 10% movement in market price (post-tax) US$M
Aluminium	'000 tonnes	**(8)**	**(2)**	11	2
Copper	'000 tonnes	**20**	**18**	17	7
Zinc	'000 tonnes	**4**	**–**	–	2
Lead	'000 tonnes	**(13)**	**–**	5	2
Silver	Million ounces	**(3)**	**(3)**	2	3
Nickel	'000 tonnes	**(1)**	**(2)**	1	2
Iron ore	'000 tonnes	**273**	**3**	(483)	(4)
Energy coal	'000 tonnes	**1,370**	**13**	(865)	(9)
Petroleum	'000 barrels	**–**	**–**	678	4
Electricity	'000 MWh	**–**	**–**	–	–
Gas	'000 therms	**–**	**–**	(10,850)	–
Freight	Time charter days	**(1,490)**	**(4)**	(427)	(2)
	'000 voyage charter tonnes	**510**	**1**	1,245	2

Provisionally priced commodity sales contracts

Not included in the above tables are provisionally priced sales volumes for which price finalisation, referenced to the relevant index, is outstanding at balance date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value as part of trade receivables. The Group's exposure at 30 June 2010 to the impact of movements in commodity prices upon provisionally invoiced sales volumes is set out in the following table.

		2010		2009	
	Units of exposure	**Net exposure receive/ (deliver)**	**Impact on equity and profit of 10% movement in market price (post-tax) US$M**	Net exposure receive/ (deliver)	Impact on equity and profit of 10% movement in market price (post-tax) US$M
Copper	'000 tonnes	**(237)**	**(100)**	(235)	(76)

The sensitivities in the above tables have been determined as the absolute impact on fair value of a 10 per cent increase in commodity prices at each reporting date, while holding all other variables, including foreign currency and exchange rates, constant.

The relationship between commodity prices and foreign currencies is complex and movements in foreign exchange can impact commodity prices. The sensitivities should therefore be used with care.

Liquidity risk

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

Additional liquidity risk arises on debt related derivatives due to the possibility that a market for derivatives might not exist in some circumstances. To counter this risk the Group only uses derivatives in highly liquid markets.

During the year ended 30 June 2010, Moody's Investors Service made no change to the Group's long-term credit rating of A1 (the short-term credit rating is P-1). Standard & Poor's made no change to the Group's long-term credit rating of A+ (the short-term credit rating is A-1). The Group's strong credit profile, diversified funding sources and committed credit facilities ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Group's policy on counterparty credit exposure ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

There were no defaults on loans payable during the period.

28 Financial risk management continued

Standby arrangements and unused credit facilities

Details of major standby and support arrangements are as follows:

	Facility available 2010 US$M	Used 2010 US$M	Unused 2010 US$M	Facility available 2009 US$M	Used 2009 US$M	Unused 2009 US$M
Revolving credit facility [(a)]	**3,000**	**–**	**3,000**	3,000	–	3,000
Other facilities [(b)]	**58**	**–**	**58**	58	–	58
Total financing facilities	**3,058**	**–**	**3,058**	3,058	–	3,058

[(a)] The multi-currency revolving credit facility is available for general corporate purposes and matures in October 2011. This facility is used for general corporate purposes and as backup for the commercial paper programs. The interest rates under this facility are based on an interbank rate plus a margin. The applicable margin is typical for a credit facility extended to a company with the Group's credit rating.

[(b)] Other bank facilities are arranged with a number of banks with the general terms and conditions agreed on a periodic basis.

Maturity profile of financial liabilities

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

2010	Bank loans, debentures and other loans US$M	Expected future interest payments US$M	Derivatives related to net debt US$M	Other derivatives US$M	Obligations under finance leases US$M	Other financial liabilities US$M	Total US$M
Due for payment:							
In one year or less or on demand	**2,038**	**741**	**(54)**	**241**	**77**	**6,245**	**9,288**
In more than one year but not more than two years	**2,286**	**689**	**346**	**37**	**64**	**30**	**3,452**
In more than two years but not more than three years	**1,827**	**567**	**10**	**19**	**23**	**5**	**2,451**
In more than three years but not more than four years	**2,837**	**475**	**10**	**10**	**23**	**4**	**3,359**
In more than four years but not more than five years	**134**	**357**	**11**	**11**	**23**	**–**	**536**
In more than five years	**5,841**	**1,124**	**143**	**3**	**85**	**323**	**7,519**
	14,963	**3,953**	**466**	**321**	**295**	**6,607**	**26,605**
Carrying amount	**15,524**	**–**	**456**	**321**	**225**	**6,770**	**23,296**

2009	Bank loans, debentures and other loans US$M	Expected future interest payments US$M	Derivatives related to net debt US$M	Other derivatives US$M	Obligations under finance leases US$M	Other financial liabilities US$M	Total US$M
Due for payment:							
In one year or less or on demand	1,426	819	–	705	69	5,636	8,655
In more than one year but not more than two years	1,795	792	–	103	37	169	2,896
In more than two years but not more than three years	2,500	728	–	26	39	29	3,322
In more than three years but not more than four years	1,808	597	–	7	26	9	2,447
In more than four years but not more than five years	2,612	509	–	3	26	6	3,156
In more than five years	5,624	1,502	–	3	112	16	7,257
	15,765	4,947	–	847	309	5,865	27,733
Carrying amount	16,181	–	–	847	223	5,821	23,072

The amounts presented in the tables above comprise the contractual undiscounted cash flows, and therefore will not always agree with the amounts presented in the balance sheet. The Group holds derivatives related to net debt, commodities and currencies that are classified as other financial assets when they are expected to generate cash inflows (refer to note 11). These contracts are excluded from the table above in 2009.

28 Financial risk management continued

Credit risk

Credit risk arises from the non-performance by counterparties of their contractual financial obligations towards the Group. To manage credit risk the Group maintains Group-wide procedures covering the application for credit approvals, granting and renewal of counterparty limits and daily monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. The maximum exposure to credit risk is limited to the total carrying value of relevant financial assets on the balance sheet as at the reporting date.

The Group's credit risk exposures are categorised under the following headings:

Counterparties

The Group conducts transactions with the following major types of counterparties:

- *Receivables counterparties*
  The majority of sales to the Group's customers are made on open terms.
- *Payment guarantee counterparties*
  A proportion of sales to Group customers occur via secured payment mechanisms.
- *Derivative counterparties*
  Counterparties to derivative contracts consist of a diverse number of financial institutions and industrial counterparties in the relevant markets.
- *Cash investment counterparties*
  As part of managing cash flow and liquidity, the Group holds short-term cash investments with a range of approved financial institutions.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

Geographic

The Group trades in all major geographic regions. Countries in which the Group has a significant credit risk exposure include South Africa, Australia, the US, Japan and China. Where appropriate, secured payment mechanisms and other risk mitigation instruments are used to protect revenues from credit risk losses.

Industry

In line with our asset portfolio, the Group sells into a diverse range of industries and customer sectors. This diversity means that the Group is not materially exposed to any individual industry or customer.

The following table shows the Group's receivables at the reporting date that are exposed to credit risk and the ageing and impairment profile thereon.

2010	Gross amount US$M	Receivables past due and impaired US$M	Receivables neither past due nor impaired US$M	Receivables past due but not impaired			
				Less than 30 days US$M	31 to 60 days US$M	61 to 90 days US$M	Over 90 days US$M
Trade accounts receivables	5,092	147	4,907	27	6	1	4
Other receivables	2,994	15	2,864	32	10	3	70
Total	**8,086**	**162**	**7,771**	**59**	**16**	**4**	**74**

2009	Gross amount US$M	Receivables past due and impaired US$M	Receivables neither past due nor impaired US$M	Receivables past due but not impaired			
				Less than 30 days US$M	31 to 60 days US$M	61 to 90 days US$M	Over 90 days US$M
Trade accounts receivables	3,881	176	3,671	–	4	–	30
Other receivables	2,216	6	2,031	127	3	1	48
Total	6,097	182	5,702	127	7	1	78

Receivables are deemed to be past due or impaired with reference to the Group's normal terms and conditions of business. These terms and conditions are determined on a case-by-case basis with reference to the customer's credit quality and prevailing market conditions. Receivables that are classified as 'past due' in the above tables are those that have not been settled within the terms and conditions that have been agreed with that customer. For an analysis of movements in impaired receivables, refer to note 10.

The credit quality of the Group's customers is monitored on an ongoing basis and assessed for impairment where indicators of such impairment exist. The solvency of each debtor and their ability to repay the receivable is considered in assessing receivables for impairment. In certain circumstances the Group may seek collateral as security for the receivable. Where receivables have been impaired, the Group actively seeks to recover the amounts in question and enforce compliance with credit terms.

No other financial assets were past due or impaired at 30 June 2010 (30 June 2009: nil).

28 Financial risk management continued

Fair values

All financial assets and financial liabilities, other than derivatives, are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortised cost, as indicated in the tables below.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. This measurement of fair value is principally based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values. In the case of US$2,577 million (2009: US$7,696 million) of centrally managed fixed rate debt not swapped to floating rate, the fair value at 30 June 2010 is US$3,031 million (2009: US$8,277 million).

Financial assets and liabilities

2010	Notes	Loans and receivables US$M	Available for sale securities US$M	Held at fair value through profit or loss US$M	Cash flow hedges US$M	Other financial assets and liabilities at amortised cost US$M	Total US$M
Financial assets							
Cash and cash equivalents	23	12,456	–	–	–	–	12,456
Trade and other receivables [(a)]	10	5,938	–	812	–	–	6,750
Cross currency and interest rate swaps	11	–	–	618	–	–	618
Forward exchange contracts	11	–	–	28	–	–	28
Commodity contracts	11	–	–	282	–	–	282
Other derivative contracts	11	–	–	112	–	–	112
Interest bearing loans receivable	10	683	–	–	–	–	683
Shares	11	–	657	–	–	–	657
Other investments	11	–	105	–	–	–	105
Total financial assets		19,077	762	1,852	–	–	21,691
Non-financial assets							67,161
Total assets							88,852
Financial liabilities							
Trade and other payables [(b)]	15	–	–	–	–	6,755	6,755
Cross currency and interest rate swaps	17	–	–	456	–	–	456
Forward exchange contracts	17	–	–	6	–	–	6
Commodity contracts	17	–	–	235	–	–	235
Other derivative contracts	17	–	–	80	–	–	80
Unsecured bank overdrafts and short-term borrowings	16	–	–	–	–	1	1
Unsecured bank loans	16	–	–	–	–	754	754
Notes and debentures [(c)]	16	–	–	–	–	13,436	13,436
Secured bank loans	16	–	–	–	–	957	957
Redeemable preference shares	16	–	–	–	–	15	15
Finance leases	16	–	–	–	–	225	225
Unsecured other	16	–	–	–	–	376	376
Total financial liabilities		–	–	777	–	22,519	23,296
Non-financial liabilities							16,227
Total liabilities							39,523

[(a)] Excludes input taxes of US$491 million included in other receivables. Refer to note 10.
[(b)] Excludes input taxes of US$181 million included in other payables. Refer to note 15.
[(c)] Includes US$10,847 million of centrally managed fixed rate debt swapped to floating rate under fair value hedges, and is consequently fair valued for interest rate risk.

Notes to Financial Statements continued

28 Financial risk management continued

Financial assets and liabilities *continued*

2009	Notes	Loans and receivables US$M	Available for sale securities US$M	Held at fair value through profit or loss US$M	Cash flow hedges US$M	Other financial assets and liabilities at amortised cost US$M	Total US$M
Financial assets							
Cash and cash equivalents	23	10,833	–	–	–		10,833
Trade and other receivables [(a)]	10	4,581	–	890	–	–	5,471
Cross currency and interest rate swaps	11	–	–	627	142	–	769
Forward exchange contracts	11	–	–	13	–	–	13
Commodity contracts	11	–	–	778	–	–	778
Other derivative contracts	11	–	–	297	–	–	297
Shares	11	–	321	35	–	–	356
Other investments	11	–	93	–	–	–	93
Total financial assets		15,414	414	2,640	142	–	18,610
Non-financial assets							60,160
Total assets							78,770
Financial liabilities							
Trade and other payables [(b)]	15	–	–	–	–	5,666	5,666
Forward exchange contracts	17	–	–	18	–	–	18
Commodity contracts	17	–	–	794	–	–	794
Other derivative contracts	17	–	–	35	–	–	35
Unsecured bank overdrafts and short-term borrowings	16	–	–	–	–	2	2
Unsecured bank loans	16	–	–	–	–	1,256	1,256
Notes and debentures [(c)]	16	–	–	–	–	13,946	13,946
Secured bank loans	16	–	–	–	–	618	618
Redeemable preference shares	16	–	–	–	–	15	15
Finance leases	16	–	–	–	–	223	223
Unsecured other	16	–	–	–	–	359	359
Total financial liabilities		–	–	847	–	22,085	22,932
Non-financial liabilities							15,127
Total liabilities							38,059

[(a)] Excludes input taxes of US$444 million included in other receivables. Refer to note 10.
[(b)] Excludes input taxes of US$140 million included in other payables. Refer to note 15.
[(c)] Includes US$6,264 million of centrally managed fixed rate debt swapped to floating rate under fair value hedges, and is consequently fair valued for interest rate risk.

Valuation hierarchy

The carrying amount of financial assets and liabilities measured at fair value is principally calculated with reference to quoted prices in active markets for identical assets or liabilities. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Group's views on relevant future prices, net of valuation allowances to accommodate liquidity, modelling and other risks implicit in such estimates. Movements in the fair value of financial assets and liabilities may be recognised through the income statement or in other comprehensive income. The following table shows the Group's financial assets and liabilities carried at fair value with reference to the nature of valuation inputs used.

2010	Level 1 [(a)] US$M	Level 2 [(b)] US$M	Level 3 [(c)] US$M	Total US$M
Financial assets and liabilities				
Trade and other receivables	–	812	–	812
Cross currency and interest rate swaps	–	162	–	162
Forward exchange contracts	–	22	–	22
Commodity contracts	–	47	–	47
Other derivative contracts	–	(9)	41	32
Investments held as available for sale	13	112	637	762
Total	13	1,146	678	1,837

[(a)] Valuation is based on unadjusted quoted prices in active markets for identical financial assets and liabilities.
[(b)] Valuation is based on inputs (other than quoted prices included in Level 1) that are observable for the financial asset or liability, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from prices).
[(c)] Valuation is based on inputs that are not based on observable market data.

28 Financial risk management continued

Level 3 financial assets and liabilities

The following table shows the movements in the Group's level 3 financial assets and liabilities.

	2010 US$M
Balance at the beginning of the financial year	**590**
Additions	**141**
Disposals	**(8)**
Currency translation adjustments	**–**
Realised (losses) recognised in the income statement [(a)]	**(229)**
Unrealised gains recognised in the income statement [(a)]	**21**
Unrealised gains recognised in other comprehensive income [(b)]	**147**
Transfers from Property, plant and equipment	**16**
Balance at the end of the financial year	**678**

[(a)] Realised and unrealised gains and losses recognised in the income statement are recorded in expenses. Refer to note 5.
[(b)] Unrealised gains and losses recognised in other comprehensive income are recorded in the Financial assets reserve. Refer to note 20.

Sensitivity of Level 3 financial assets and liabilities

The carrying amount of financial assets and liabilities that are valued using inputs other than observable market data are calculated using appropriate valuation models, including discounted cash flow modelling, with inputs such as commodity prices, foreign exchange rates and inflation. The potential effect of using reasonably possible alternative assumptions in these models, based on a change in the most significant input by 10 per cent, while holding all other variables constant, is shown in the following table. Significant inputs are assessed individually for each financial asset and liability.

		Post-tax profit		Equity	
2010	Carrying value US$M	10% increase in input US$M	10% decrease in input US$M	10% increase in input US$M	10% decrease in input US$M
Financial assets and liabilities					
Other derivative contracts	**41**	**(20)**	**21**	**(20)**	**21**
Investments held as available for sale	**637**	**–**	**–**	**128**	**(140)**
Total	**678**	**(20)**	**21**	**108**	**(119)**

Capital management

The Group defines capital as the total equity of the Group. The Group manages capital with the goal of maintaining levels of gearing designed to optimise the cost of capital and return on capital employed, while also growing the business consistently through project developments and acquisitions. The Group's priorities for cash flow are:

- reinvestment in projects that carry attractive rates of return regardless of the economic climate
- commitment to a solid 'A' credit rating
- returning excess capital to shareholders via dividends and capital management (for example share buy-backs)

The Group's strategy is focused on upstream, large, long-life, low-cost, expandable, export-oriented assets and the Group continually reviews its portfolio to identify assets which do not fit this strategy. The Group will invest capital in assets where they fit our strategy.

The Group monitors capital using a gearing ratio, being the ratio of net debt to net debt plus net assets.

	2010 US$M	2009 US$M
Cash and cash equivalents	**(12,456)**	(10,833)
Current debt	**2,191**	1,094
Non-current debt	**13,573**	15,325
Net debt	**3,308**	5,586
Net assets/Total equity	**49,329**	40,711
Gearing	**6.3%**	12.1%

29 Pension and other post-retirement obligations

Defined contribution pension schemes and multi-employer pension schemes

The Group contributed US$276 million (2009: US$231 million; 2008: US$218 million) to defined contribution plans and multi-employer defined contribution plans. These contributions are expensed as incurred. Contributions to defined contribution plans for Key Management Personnel are disclosed in note 30.

Defined benefit pension schemes

The Group has closed all defined benefit schemes to new entrants. Defined benefit pension schemes remain operating in Australia, the US, Canada, South America, Europe and South Africa for existing members. Full actuarial valuations are prepared and updated annually to 30 June by local actuaries for all schemes. The Projected Unit Credit valuation method is used. The Group operates final salary schemes that provide final salary benefits only, non-salary related schemes that provide flat dollar benefits and mixed benefit schemes that consist of a final salary defined benefit portion and a defined contribution portion.

Defined benefit post-retirement medical schemes

The Group operates a number of post-retirement medical schemes in the US, Canada and South Africa. Full actuarial valuations are prepared by local actuaries for all schemes. All of the post-retirement medical schemes in the Group are unfunded.

The following tables set out details in respect of the Group's defined benefit pension and post-retirement medical schemes.

Balance sheet disclosures

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension schemes		Post-retirement medical schemes	
	2010 US$M	2009 US$M	**2010 US$M**	2009 US$M
Present value of funded defined benefit obligation	**1,673**	1,666	**–**	–
Present value of unfunded defined benefit obligation	**89**	70	**343**	310
Unrecognised past service credits	**–**	–	**1**	5
Fair value of defined benefit scheme assets	**(1,547)**	(1,455)	**–**	–
Scheme deficit	**215**	281	**344**	315
Unrecognised surplus	**69**	78	**–**	–
Adjustment for employer contributions tax	**11**	17	**–**	–
Net liability recognised in the balance sheet	**295**	376	**344**	315

The Group has no legal obligation to settle these liabilities with any immediate contributions or additional one-off contributions. The Group intends to continue to contribute to each defined benefit pension and post-retirement medical scheme in accordance with the latest recommendations of each scheme actuary.

Income statement disclosures

The amounts recognised in the income statement are as follows:

	Defined benefit pension schemes			Post-retirement medical schemes		
	2010 US$M	2009 US$M	2008 US$M	**2010 US$M**	2009 US$M	2008 US$M
Current service cost	**54**	58	75	**6**	5	7
Interest cost	**108**	110	113	**22**	22	25
Expected return on pension scheme assets	**(98)**	(111)	(125)	**–**	–	–
Past service costs	**–**	1	–	**–**	(5)	–
(Gains)/losses on settlements/curtailments	**–**	(4)	–	**(7)**	3	(41)
Total expense	**64**	54	63	**21**	25	(9)
– Recognised in employee benefits expense	**54**	55	75	**6**	3	(34)
– Recognised in net finance costs	**10**	(1)	(12)	**22**	22	25
– Recognised in other income	**–**	–	–	**(7)**	–	–

29 Pension and other post-retirement obligations continued

Statement of Comprehensive Income (SOCI) disclosures

The amounts recognised in the Statement of Comprehensive Income are as follows:

	Defined benefit pension schemes			Post-retirement medical schemes		
	2010 US$M	2009 US$M	2008 US$M	**2010 US$M**	2009 US$M	2008 US$M
Actuarial (gains)/losses	**(1)**	239	106	**25**	–	(17)
Limit on net assets and other adjustments	**14**	(12)	7	**–**	–	–
Total amount recognised in the SOCI	**13**	227	113	**25**	–	(17)
Total cumulative amount recognised in the SOCI [(a)]	**268**	255	28	**52**	27	27

[(a)] Cumulative amounts are calculated from the transition to IFRS on 1 July 2004.

The actual return on assets for the defined benefit pension schemes is as follows:

	Defined benefit pension schemes		
	2010 US$M	2009 US$M	2008 US$M
The actual return on assets for the defined benefit pension schemes	**175**	(117)	(5)

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

	Defined benefit pension schemes		Post-retirement medical schemes	
	2010 US$M	2009 US$M	**2010 US$M**	2009 US$M
Defined benefit obligation at beginning of year	**1,736**	1,889	**310**	328
Current service cost	**54**	58	**6**	5
Interest cost	**108**	110	**22**	22
Contributions by scheme participants	**3**	3	**–**	–
Actuarial losses/(gains) on benefit obligation	**76**	11	**25**	–
Benefits paid to participants	**(164)**	(171)	**(18)**	(17)
Past service costs	**–**	1	**–**	(11)
Curtailment (gains)/losses	**–**	(4)	**(7)**	3
Exchange variations	**2**	(161)	**5**	(3)
Other adjustments	**(53)**	–	**–**	(17)
Defined benefit obligation at end of year	**1,762**	1,736	**343**	310

The changes in the fair value of scheme assets for defined benefit pension schemes are as follows:

	Defined benefit pension schemes	
	2010 US$M	2009 US$M
Fair value of scheme assets at beginning of year	**1,455**	1,768
Expected return on scheme assets	**98**	111
Actuarial gains/(losses) on scheme assets	**77**	(228)
Employer contributions	**162**	111
Contributions by scheme participants	**3**	3
Benefits paid	**(164)**	(171)
Exchange variations	**(1)**	(139)
Other adjustments	**(83)**	–
Fair value of scheme assets at end of year	**1,547**	1,455

29 Pension and other post-retirement obligations continued

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

	Fair Value	
	2010 US$M	2009 US$M
Asset class		
Bonds	**884**	882
Equities	**391**	345
Property	**22**	16
Cash and net current assets	**49**	24
Insured annuities	**187**	177
Other	**14**	11
Total	**1,547**	1,455

Scheme assets classified as 'Other' as at 30 June 2010 primarily comprise of investments in private equity in Australia.

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

The investment strategy is determined by each plan's fiduciary body in consultation with the Group. In general, the investment strategy for each plan is set by reference to the duration and risk profile of the plan, as well as the plan's solvency level.

Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages) for defined benefit pension schemes are as follows:

	Australia		Americas		Europe		South Africa	
	2010 %	2009 %	**2010 %**	2009 %	**2010 %**	2009 %	**2010 %**	2009 %
Discount rate	**5.4**	5.3	**5.5**	6.3	**5.3**	6.2	**8.8**	9.0
Future salary increases	**4.0**	3.9	**4.5**	3.8	**4.7**	4.9	**6.9**	6.9
Future pension increases	**2.5**	–	**4.0**	2.3	**2.6**	2.8	**5.9**	5.9
Expected rate of return on pension scheme assets	**5.8**	5.2	**5.9**	6.6	**5.6**	5.6	**9.4**	10.0

The principal actuarial assumptions at the reporting date (expressed as weighted averages) for post-retirement medical schemes are as follows:

	Americas		South Africa	
	2010 %	2009 %	**2010 %**	2009 %
Discount rate	**5.2**	6.0	**9.0**	9.1
Medical cost trend rate (ultimate)	**4.2**	5.0	**7.3**	7.6

Assumptions regarding future mortality can be material depending upon the size and nature of the plan liabilities. Post-retirement mortality assumptions in the Americas, Europe and South Africa are based on post-retirement mortality tables that are standard in these regions.

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

For the main funds, these tables imply the following expected future lifetimes (in years) for employees aged 65 as at the balance sheet date: US males 19.8, US females 21.6; Canadian males 19.4, Canadian females 21.8; Netherlands males 19.0, Netherlands females 21.1; UK males 22.4, UK females 24.8; South African males 14.8, South African females 18.7.

29 Pension and other post-retirement obligations continued

The present value of defined benefit obligations, fair value of scheme assets and associated experience adjustments for the defined benefit pension and post-retirement medical schemes are shown for the current year and the previous four years as follows:

	Defined benefit pension schemes				
	2010 US$M	2009 US$M	2008 US$M	2007 US$M	2006 US$M
Present value of defined benefit obligation	**1,762**	1,736	1,889	1,787	1,759
Fair value of defined benefit scheme assets	**(1,547)**	(1,455)	(1,768)	(1,756)	(1,585)
Deficit in the schemes	**215**	281	121	31	174
Experience gain/(loss) adjustments to scheme liabilities	**16**	(2)	(8)	7	(58)
Experience gain/(loss) adjustments to scheme assets	**76**	(228)	(130)	101	45

	Post-retirement medical schemes				
	2010 US$M	2009 US$M	2008 US$M	2007 US$M	2006 US$M
Present value of defined benefit obligation	**343**	310	328	380	353
Experience gain/(loss) adjustments to scheme liabilities	**(7)**	4	8	1	(17)

Experience adjustments to scheme liabilities do not include the effect of changes in actuarial assumptions.

Estimated contributions for the defined benefit pension and post-retirement medical schemes are as follows:

	Defined benefit pension schemes US$M	Post-retirement medical schemes US$M
Estimated employer contributions for the year ending 30 June 2011	117	22
Estimated contributions by scheme participants for the year ending 30 June 2011	3	n/a

The impact of a one percentage point variation in the medical cost trend rate (for the post-retirement medical schemes) on the Group's results is as follows:

	2010 US$M	2009 US$M
Effect of an increase in the medical cost trend of 1% point on:		
Total of current service and interest cost	**3**	7
Defined benefit obligation	**31**	40
Effect of a decrease in the medical cost trend of 1% point on:		
Total of current service and interest cost	**(3)**	(1)
Defined benefit obligation	**(26)**	(18)

30 Key Management Personnel

Key Management Personnel compensation comprises:

	2010 US$	2009 US$	2008 US$
Short-term employee benefits	**21,851,956**	20,015,590	20,607,717
Post-employment benefits	**5,281,930**	2,870,982	2,958,123
Share-based payments	**26,017,590**	23,530,682	12,428,149
Total	**53,151,476**	46,417,254	35,993,989

30 Key Management Personnel continued

Equity Instrument disclosures relating to Key Management Personnel

BHP Billiton Limited ordinary shares under award

	Scheme	At 30 June 2008	Granted	Lapsed	Exercised	**At 30 June 2009**
Marius Kloppers	LTIP Performance	333,327	500,000	–	–	**833,327**
	GIS Deferred	27,582	95,847	–	–	**123,429**
	Shareplus	160	168	–	–	**328**
Marcus Randolph	LTIP Performance	592,676	225,000	–	–	**817,676**
	GIS Deferred	85,302	45,027	–	61,654	**68,675**
	Shareplus	157	172	–	–	**329**
Alex Vanselow	LTIP Performance	642,676	225,000	–	–	**867,676**
	GIS Deferred	73,510	–	–	48,663	**24,847**
	Shareplus	157	168	–	–	**325**
Karen Wood	LTIP Performance	489,187	175,000	–	–	**664,187**
	GIS Deferred	85,003	30,778	–	26,631	**89,150**
	GIS Performance	16,547	–	–	16,547	**–**
	PSP	25,846	–	–	–	**25,846**
	Shareplus	157	168	–	–	**325**
J Michael Yeager	LTIP Performance	737,702	225,000	–	–	**962,702**
	GIS Deferred	33,074	56,373	–	6,614	**82,833**
	Shareplus	134	210	–	–	**344**
	Total	3,143,197	1,578,911	–	160,109	**4,561,999**

BHP Billiton Limited ordinary shares under option

	Scheme	At 30 June 2008	Granted	Lapsed	Exercised	**At 30 June 2009**
Alex Vanselow	GIS Options	–	153,768	–	–	**153,768**
	Total	–	153,768	–	–	**153,768**

BHP Billiton Plc ordinary shares under award

	Scheme	At 30 June 2008	Granted	Lapsed	Exercised	**At 30 June 2009**
Marius Kloppers	LTIP Performance	675,000	–	–	–	**675,000**
	GIS Deferred	90,071	–	–	90,071	**–**
Alberto Calderon	LTIP Performance	331,993	225,000	–	–	**556,993**
	GIS Deferred	29,133	–	–	–	**29,133**
	Shareplus	156	188	–	–	**344**
Andrew Mackenzie	LTIP Performance	–	325,839	–	–	**325,839**
	GIS Deferred	–	–	–	–	**–**
	Shareplus	–	–	–	–	**–**
	Total	1,126,353	551,027	–	90,071	**1,587,309**

BHP Billiton Plc ordinary shares under option

	Scheme	At 30 June 2008	Granted	Lapsed	Exercised	**At 30 June 2009**
Alberto Calderon	GIS Options	–	143,227	–	–	**143,227**
Andrew Mackenzie	GIS Options	–	–	–	–	**–**
	Total	–	143,227	–	–	**143,227**

[(a)] All awards and options that are vested are exercisable.

No options have been granted to Key Management Personnel since the end of the financial year. Further information on options and rights, including grant dates and exercise dates regarding options granted to Key Management Personnel under the employee share ownership plan, is set out in note 32.

Granted	Lapsed	Exercised/ Matched	At 30 June 2010	Vested during the year ended 30 June 2009	Vested during the year ended 30 June 2010	Vested at 30 June 2009 [a]	Vested at 30 June 2010 [a]
250,000	–	–	1,083,327	–	–	–	–
46,951	–	27,582	142,798	–	27,582	–	–
194	–	160	362	–	160	–	–
120,000	–	110,000	827,676	–	110,000	–	–
25,126	–	23,648	70,153	29,455	23,648	–	–
190	–	157	362	–	157	–	–
120,000	–	110,000	877,676	–	110,000	–	–
27,727	–	24,847	27,727	23,030	24,847	–	–
193	–	157	361	–	157	–	–
90,000	–	80,000	674,187	–	80,000	–	–
23,686	–	58,372	54,464	18,267	19,643	38,729	–
–	–	–	–	–	–	–	–
–	–	25,846	–	–	–	–	–
193	–	157	361	–	157	–	–
120,000	–	–	1,082,702	–	–	–	–
29,877	–	26,460	86,250	6,614	26,460	–	–
138	–	134	348	–	134	–	–
854,275	–	487,520	4,928,754	77,366	422,945	38,729	–

Granted	Lapsed	Exercised	At 30 June 2010	Vested during the year ended 30 June 2009	Vested during the year ended 30 June 2010	Vested at 30 June 2009 [a]	Vested at 30 June 2010 [a]
–	–	–	153,768	–	–	–	–
–	–	–	153,768	–	–	–	–

Granted	Lapsed	Exercised/ Matched	At 30 June 2010	Vested during the year ended 30 June 2009	Vested during the year ended 30 June 2010	Vested at 30 June 2009 [a]	Vested at 30 June 2010 [a]
–	–	225,000	450,000	–	225,000	–	–
–	–	–	–	37,300	–	–	–
120,000	–	–	676,993	–	–	–	–
33,343	–	29,133	33,343	11,926	17,207	11,926	–
193	–	156	381	–	156	–	–
120,000	–	–	445,839	–	–	–	–
12,476	–	–	12,476	–	–	–	–
175	–	–	175	–	–	–	–
286,187	–	254,289	1,619,207	49,226	242,363	11,926	–

Granted	Lapsed	Exercised	At 30 June 2010	Vested during the year ended 30 June 2009	Vested during the year ended 30 June 2010	Vested at 30 June 2009 [a]	Vested at 30 June 2010 [a]
–	–	–	143,227	–	–	–	–
16,119	–	–	16,119	–	–	–	–
16,119	–	–	159,346	–	–	–	–

30 Key Management Personnel continued

Equity holdings and transactions

The movement during the financial year in the number of ordinary shares of the Group held directly, indirectly or beneficially, by each specified Key Management Personnel, including their personally related entities were as follows:

BHP Billiton Limited shares [a]	Held at 30 June 2008 [d]	Purchases	Received on exercise of options or rights	Disposals	**Held at 30 June 2009 [d]**	**Purchases**	**Received on exercise/ matching of options or rights**	**Disposals**	**Held at 30 June 2010 [d]**
Marius Kloppers	160	168	–	–	**328**	**194**	**27,742**	**–**	**28,264**
Marcus Randolph	175,594	172	61,654	120,000	**117,420**	**190**	**133,805**	**60,000**	**191,415**
Alex Vanselow	53,057	168	48,663	2,000	**99,888**	**193**	**135,004**	**60,822**	**174,263**
Karen Wood	45,813	168	43,178	17,200	**71,959**	**193**	**164,375**	**127,394**	**109,133**
J Michael Yeager	134	210	6,614	–	**6,958**	**138**	**26,594**	**9,710**	**23,980**
Paul Anderson	106,000	–	–	–	**106,000**	**–**	**–**	**–**	**106,000**
Don Argus	321,890	–	–	–	**321,890**	**7,300**	**–**	**–**	**329,190**
Alan Boeckmann					**–**	**3,150**	**–**	**–**	**3,150**
Malcolm Broomhead [c]					**9,000**	**–**	**–**	**–**	**9,000**
Carlos Cordeiro	6,550	–	–	–	**6,550**	**–**	**–**	**–**	**6,550**
David Crawford	33,127	–	–	–	**33,127**	**–**	**–**	**–**	**33,127**
E Gail de Planque	3,580	1,600	–	–	**5,180**	**–**	**–**	**–**	**5,180**
Carolyn Hewson [c]					**2,000**	**–**	**–**	**–**	**2,000**
David Jenkins	2,066	–	–	–	**2,066**	**–**	**–**	**–**	**2,066**
David Morgan [e]	156,758	–	–	–	**156,758**	**–**	**–**	**–**	**156,758**
Wayne Murdy [b]	4,030	–	–	–	**4,030**	**–**	**–**	**–**	**4,030**
Jacques Nasser	5,600	–	–	–	**5,600**	**–**	**–**	**–**	**5,600**
John Schubert	23,675	–	–	–	**23,675**	**–**	**–**	**–**	**23,675**

BHP Billiton Plc shares [a]	Held at 30 June 2008 [d]	Purchases	Received on exercise of options or rights	Disposals	**Held at 30 June 2009 [d]**	**Purchases**	**Received on exercise/ matching of options or rights**	**Disposals**	**Held at 30 June 2010 [d]**
Marius Kloppers	396,683	–	90,071	43,234	**443,520**	**–**	**225,000**	**119,842**	**548,678**
Alberto Calderon	156	188	–	–	**344**	**193**	**29,289**	**11,999**	**17,827**
Andrew Mackenzie	55,000	–	–	–	**55,000**	**175**	**–**	**–**	**55,175**
Paul Anderson	4,000	–	–	–	**4,000**	**–**	**–**	**–**	**4,000**
Don Argus	–	–	–	–	**–**	**21,740**	**–**	**–**	**21,740**
Alan Boeckmann	–	–	–	–	**–**	**3,680**	**–**	**–**	**3,680**
John Buchanan	20,000	–	–	–	**20,000**	**–**	**–**	**–**	**20,000**
David Crawford	–	–	–	–	**–**	**6,000**	**–**	**–**	**6,000**
David Jenkins	10,000	–	–	–	**10,000**	**–**	**–**	**–**	**10,000**
Wayne Murdy	–	–	–	–	**–**	**3,512**	**–**	**–**	**3,512**
Keith Rumble [b] [e]	7,200	5,000	–	–	**12,200**	**–**	**–**	**–**	**12,200**

[a] All interests are beneficial and includes holdings of American depositary shares and shares held in the name of the spouse, superannuation fund and/or nominee.
[b] Mr Rumble's balance reflects his holding as at appointment date, 1 September 2008, and Mr Murdy's balance reflects his holding as at appointment date, 18 June 2009.
[c] Ms Hewson's and Mr Broomhead's balance reflects their holdings at appointment date, 31 March 2010.
[d] Closing balances represent the holding at year end or the holding at date of appointment or resignation as a KMP.
[e] Mr Morgan's and Mr Rumble's balance at 30 June 2008 have been adjusted to reflect additional ordinary shares held.

Directors and their personally related entities receive the same dividends and bonus share entitlements as those available to other holders of the same class of shares. Partly paid shares did not participate in dividends.

Refer to note 32 for details of the employee share ownership plans referred to above.

30 Key Management Personnel continued

Transactions with Key Management Personnel

During the year, there were no purchases from the Group (2009: Alex Vanselow US$29,613).

There are no amounts payable at 30 June 2010 (2009: US$ nil).

Loans with Key Management Personnel

There are US$ nil loans (2009: US$ nil) with Key Management Personnel.

Transactions with personally related entities

A number of Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. One of those entities, Fluor Corporation, is considered to be a personally related entity of Mr Alan Boeckmann. Mr Boeckmann was elected as a director to the Group in September 2008. During the year, Fluor Corporation provided products and services to the Group totalling US$426.368 million (2009: US$222.821 million) in accordance with normal terms and conditions. As at 30 June 2010, US$7.083 million was owing by the Group to Fluor Corporation (2009: US$3.473 million).

31 Related party transactions

Subsidiaries

The percentage of ordinary shares held in significant subsidiaries is disclosed in note 25 to the financial statements.

Jointly controlled entities

The percentage interest held in significant jointly controlled entities is disclosed in note 26 to the financial statements.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 30 to the financial statements.

Transactions with related parties

	Jointly controlled entities [a]		Transactions with other related parties [b]	
	2010 US$M	2009 US$M	**2010 US$M**	2009 US$M
Sales of goods/services	**9.677**	17.288	**–**	–
Purchase of goods/services	**346.156**	267.739	**–**	–
Interest income	**20.970**	0.125	**–**	–
Loans made to related parties	**323.688**	–	**–**	–

[a] Disclosures in respect of transactions with jointly controlled entities represent the amount of such transactions which do not eliminate on proportionate consolidation.
[b] Excludes disclosures relating to post-employment benefit plans for the benefit of Group employees. These are shown in note 29.

Transactions between each parent company and its subsidiaries, which are related parties of that company, are eliminated on consolidation and are not disclosed in this note.

Outstanding balances with related parties

	Jointly controlled entities [a]		Transactions with other related parties	
	2010 US$M	2009 US$M	**2010 US$M**	2009 US$M
Trade amounts owing to related parties	**44.561**	67.694	**–**	–
Trade amounts owing from related parties	**38.566**	11.320	**–**	–
Other amounts owing from related parties	**323.688**	–	**–**	–

[a] Disclosures in respect of amounts owing to/from jointly controlled entities represent those balances which do not eliminate upon proportionate consolidation.

Terms and conditions

Sales to and purchases from related parties of goods and services are made in arm's length transactions at normal market prices and on normal commercial terms.

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

Other amounts owing from related parties represent secured loans made to jointly controlled entities under co-funding arrangements. Such loans are made on an arm's length basis with interest charged at market rates and are due to be repaid between 22 January 2011 and 22 January 2022.

No guarantees are provided or received for any related party receivables or payables.

No provision for doubtful debts has been recognised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

32 Employee share ownership plans

Employee share awards – current plans

2010	Number of awards on issue at the beginning of the financial year	Number of awards issued during the year	Number of awards vested and exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards vested and exercisable at the end of the financial year
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares [a]	3,709,437	153,367	1,249,998	21,334	2,591,472	671,873
Group Incentive Scheme Options [a]	1,985,321	–	321,509	58,144	1,605,668	525,536
– weighted average exercise price – A$	29.92	–	22.14	29.15	31.51	36.36
– weighted average share price – A$			44.76			
– weighted average contractual term for outstanding options – days					56	
Group Incentive Scheme Performance Shares [a]	77,651	–	63,242	10,868	3,541	3,541
Group Short-Term Incentive Plan Deferred Shares [a]	–	891,037	20,081	3,239	867,717	–
Group Short-Term Incentive Plan Options [a]	–	268,558	–	20,652	247,906	–
– weighted average exercise price – A$	–	38.41	–	38.41	38.41	–
– weighted average share price – A$			–			
– weighted average contractual term for outstanding options – days					420	
Long Term Incentive Plan Performance Shares [a]	20,331,131	700,000	2,771,669	468,766	17,790,696	760,150
Management Award Plan Restricted Shares [a]	2,352,947	2,413,149	129,160	228,692	4,408,244	–
Shareplus Matched Shares [b]	2,082,831	1,469,556	952,917	166,710	2,432,760	–
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares [a]	1,468,731	45,819	666,987	4,816	842,747	206,894
Group Incentive Scheme Options [a]	1,413,717	16,119	144,884	36,105	1,248,847	296,106
– weighted average exercise price – £	11.14	18.68	10.72	8.09	11.38	12.53
– weighted average share price – £			18.11			
– weighted average contractual term for outstanding options – days					56	
Group Incentive Scheme Performance Shares [a]	41,022	–	36,188	4,834	–	–
Group Short-Term Incentive Plan Deferred Shares [a]	–	424,555	–	3,558	420,997	–
Group Short-Term Incentive Plan Options [a]	–	32,989	–	3,532	29,457	–
– weighted average exercise price – £	–	16.44	–	16.44	16.44	–
– weighted average share price – £			–			
– weighted average contractual term for outstanding options – days					420	
Long Term Incentive Plan Performance Shares [a]	8,258,750	240,000	1,185,345	288,700	7,024,705	338,954
Management Award Plan Restricted Shares [a]	959,610	962,000	21,151	89,918	1,810,541	–
Shareplus Matched Shares [b]	616,595	332,151	292,899	47,916	607,931	–

32 Employee share ownership plans continued

Fair value and assumptions in the calculation of fair value

2010	Weighted average fair value of awards granted during the year [c] US$	Risk-free interest rate [d]	Estimated life of awards	Share price at grant date	Estimated volatility of share price [e]	Dividend yield
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares [a]	25.22	n/a	3 years	A$33.90	n/a	n/a
Group Incentive Scheme Options [a]	–	–	–	–	–	–
Group Short-Term Incentive Plan Deferred Shares [a]	25.22	n/a	3 years	A$33.90	n/a	n/a
Group Short-Term Incentive Plan Options [a]	7.37	n/a	3 years	A$33.90	35.0%	3.98%
Long Term Incentive Plan Performance Shares [a]	9.49	2.58%	5 years	A$33.90	31.0%	3.98%
Management Award Plan Restricted Shares [a]	24.21	n/a	3 years	A$33.90	n/a	3.98%
Shareplus Matched Shares [b]	33.59	2.51%	3 years	A$44.29	n/a	3.28%
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares [a]	21.83	n/a	3 years	£14.25	n/a	n/a
Group Incentive Scheme Options [a]	6.59	n/a	3 years	£14.25	40.0%	3.58%
Group Short-Term Incentive Plan Deferred Shares [a]	21.83	n/a	3 years	£14.25	n/a	n/a
Group Short-Term Incentive Plan Options [a]	6.59	n/a	3 years	£14.25	40.0%	3.58%
Long Term Incentive Plan Performance Shares [a]	8.32	2.58%	5 years	£14.25	31.0%	3.58%
Management Award Plan Restricted Shares [a]	21.04	n/a	3 years	£14.25	n/a	3.58%
Shareplus Matched Shares [b]	28.63	3.42%	3 years	£19.44	n/a	2.97%

32 Employee share ownership plans continued

Employee share awards – current plans

2009	Number of awards on issue at the beginning of the financial year	Number of awards issued during the year	Number of awards vested and exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards vested and exercisable at the end of the financial year
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares [a]	3,422,157	1,980,820	1,621,584	71,956	3,709,437	874,599
Group Incentive Scheme Options [a]	1,331,293	1,182,159	522,906	5,225	1,985,321	483,068
– weighted average exercise price – A$	25.05	29.15	15.95	11.11	29.92	22.74
– weighted average share price – A$			35.14			
– weighted average contractual term for outstanding options – days					340	
Group Incentive Scheme Performance Shares [a]	639,287	–	523,548	38,088	77,651	77,651
Long Term Incentive Plan Performance Shares [a]	20,260,877	1,350,000	7,750	1,271,996	20,331,131	–
Management Award Plan Restricted Shares [a]	–	2,484,233	15,556	115,730	2,352,947	–
Shareplus Matched Shares [b]	985,333	1,270,067	91,125	81,444	2,082,831	–
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares [a]	1,456,483	679,170	599,621	67,301	1,468,731	367,762
Group Incentive Scheme Options [a]	641,124	957,588	172,951	12,044	1,413,717	289,088
– weighted average exercise price – £	10.60	10.89	7.90	8.59	11.14	8.81
– weighted average share price – £			14.34			
– weighted average contractual term for outstanding options – days					364	
Group Incentive Scheme Performance Shares [a]	150,687	–	101,865	7,800	41,022	41,022
Long Term Incentive Plan Performance Shares [a]	8,194,079	550,839	–	486,168	8,258,750	–
Management Award Plan Restricted Shares [a]	–	1,052,500	8,666	84,224	959,610	–
Shareplus Matched Shares [b]	305,468	405,841	68,280	26,434	616,595	–

Fair value and assumptions in the calculation of fair value

2009	Weighted average fair value of awards granted during the year [c] US$	Risk-free interest rate [d]	Estimated life of awards	Share price at grant date	Estimated volatility of share price [e]	Dividend yield
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares [a]	24.94	6.39%	3 years	n/a	n/a	n/a
Group Incentive Scheme Options [a]	8.46	6.39%	3 years	A$44.40	30.0%	2.05%
Long Term Incentive Plan Performance Shares [a]	15.74	3.30%	5 years	A$44.40	28.9%	2.05%
Management Award Plan Restricted Shares [a]	39.97	n/a	3 years	A$44.40	n/a	2.05%
Shareplus Matched Shares [b]	23.79	5.93%	3 years	A$42.06	n/a	1.47%
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares [a]	19.90	5.69%	3 years	n/a	n/a	n/a
Group Incentive Scheme Options [a]	6.34	5.69%	3 years	£18.41	35.0%	1.65%
Long Term Incentive Plan Performance Shares [a]	13.55	3.30%	5 years	£18.41	28.9%	1.65%
Management Award Plan Restricted Shares [a]	34.84	n/a	3 years	£18.41	n/a	1.65%
Shareplus Matched Shares [b]	19.82	6.52%	3 years	£17.44	n/a	1.53%

32 Employee share ownership plans continued

Employee share awards – current plans

2008	Number of awards on issue at the beginning of the financial year	Number of awards issued during the year	Number of awards vested and exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards vested and exercisable at the end of the financial year
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares [a]	4,211,961	1,104,588	1,878,079	16,313	3,422,157	1,208,840
Group Incentive Scheme Options [a]	2,067,911	320,094	1,056,712	–	1,331,293	786,351
– weighted average exercise price – A$	16.26	43.61	13.47	–	25.05	17.14
– weighted average share price – A$			40.28			
– weighted average contractual term for outstanding options – days					260	
Group Incentive Scheme Performance Shares [a]	1,915,489	–	1,073,121	203,081	639,287	639,287
Long Term Incentive Plan Performance Shares [a]	16,766,200	6,018,068	–	2,523,391	20,260,877	–
Shareplus Matched Shares [b]	–	1,027,618	12,770	29,515	985,333	–
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares [a]	1,670,111	515,152	709,074	19,706	1,456,483	404,426
Group Incentive Scheme Options [a]	723,632	177,158	259,666	–	641,124	302,671
– weighted average exercise price – £	7.86	16.51	7.00	–	10.60	7.61
– weighted average share price – £			16.90			
– weighted average contractual term for outstanding options – days					237	
Group Incentive Scheme Performance Shares [a]	594,363	–	319,210	124,466	150,687	150,687
Long Term Incentive Plan Performance Shares [a]	6,311,626	2,340,993	15,000	443,540	8,194,079	–
Shareplus Matched Shares [b]	–	321,587	5,270	10,849	305,468	–

Fair value and assumptions in the calculation of fair value

2008	Weighted average fair value of awards granted during the year [c] US$	Risk-free interest rate [d]	Estimated life of awards	Share price at grant date	Estimated volatility of share price [e]	Dividend yield
BHP Billiton Limited						
Group Incentive Scheme Deferred Shares [a]	34.28	5.79%	3 years	n/a	n/a	n/a
Group Incentive Scheme Options [a]	9.50	5.79%	3 years	A$42.05	27.0%	1.52%
Long Term Incentive Plan Performance Shares [a]	11.04	5.00%	5 years	A$35.03	26.0%	1.70%
Shareplus Matched Shares [b]	34.85	6.35%	3 years	A$30.30	n/a	1.68%
BHP Billiton Plc						
Group Incentive Scheme Deferred Shares [a]	31.37	4.76%	3 years	n/a	n/a	n/a
Group Incentive Scheme Options [a]	7.98	4.76%	3 years	£15.45	31.0%	1.49%
Long Term Incentive Plan Performance Shares [a]	10.33	5.00%	5 years	£13.90	26.0%	1.70%
Shareplus Matched Shares [b]	30.62	6.64%	3 years	£11.68	n/a	1.67%

32 Employee share ownership plans continued

Employee share awards – past plans [f]

2010	Number of awards at the beginning of the financial year	Number of awards issued	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Limited						
Employee Share Plan Options	**1,632,133**	**–**	**766,838**	**–**	**865,295**	**865,295**
– weighted average exercise price – A$	**8.38**	**–**	**8.39**	**–**	**8.37**	**8.37**
Employee Share Plan Shares	**9,134,763**	**–**	**924,545**	**–**	**8,210,218**	**8,210,218**
Executive Share Scheme Partly Paid Shares	**189,918**	**–**	**–**	**–**	**189,918**	**189,918**
Performance Share Plan Performance Rights	**95,038**	**–**	**36,475**	**–**	**58,563**	**58,563**
BHP Billiton Plc						
Co-Investment Plan	**24,047**	**–**	**1,051**	**–**	**22,996**	**22,996**

2009	Number of awards at the beginning of the financial year	Number of awards issued	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Limited						
Employee Share Plan Options	4,620,131	–	2,229,098	758,900	1,632,133	1,632,133
– weighted average exercise price – A$	7.59	–	7.25	6.10	8.38	8.38
Employee Share Plan Shares	11,039,818	–	1,905,055	–	9,134,763	9,134,763
Executive Share Scheme Partly Paid Shares	274,918	–	85,000	–	189,918	189,918
Performance Share Plan Performance Rights	357,607	–	262,569	–	95,038	95,038
BHP Billiton Plc						
Co-Investment Plan	27,776	–	3,729	–	24,047	24,047
Restricted Share Scheme	76,633	–	26,915	49,718	–	–

2008	Number of awards at the beginning of the financial year	Number of awards issued	Number of awards exercised	Number of awards lapsed	Number of awards remaining at the end of the financial year	Number of awards exercisable at the end of the financial year
BHP Billiton Limited						
Employee Share Plan Options	7,725,422	–	3,092,470	12,821	4,620,131	4,620,131
– weighted average exercise price – A$	7.65	–	7.74	6.92	7.59	7.59
Employee Share Plan Shares	12,501,289	–	1,461,471	–	11,039,818	11,039,818
Executive Share Scheme Partly Paid Shares	274,918	–	–	–	274,918	274,918
Performance Share Plan Performance Rights	518,942	–	161,335	–	357,607	357,607
BHP Billiton Plc						
Co-Investment Plan	32,746	–	4,970	–	27,776	27,776
Restricted Share Scheme	76,633	–	–	–	76,633	76,633

32 Employee share ownership plans continued

Employee share awards – summary [h] [i]

Month of issue	Awards outstanding at: 30 June 2010	Awards outstanding at: 7 September 2010	Exercise price [g]	Exercise period/release date
BHP Billiton Limited				
Employee Share Plan Options				
November 2001	406,290	406,290	A$8.30	Oct 2004 – Sep 2011
November 2001	77,220	77,220	A$8.29	Oct 2004 – Sep 2011
December 2000	140,427	99,124	A$8.72	Jul 2003 – Dec 2010
December 2000	26,588	15,487	A$8.71	Jul 2003 – Dec 2010
November 2000	77,441	77,441	A$8.28	Jul 2003 – Dec 2010
November 2000	137,329	97,061	A$8.27	Jul 2003 – Dec 2010
	865,295	**772,623**		
Employee Share Plan Shares				
October 1997	1,348,510	1,328,892	–	Oct 1997 – Oct 2017
May 1995	2,260,252	2,231,341	–	May 1995 – May 2015
May 1994	1,579,388	1,554,607	–	May 1994 – May 2014
May 1993	1,283,460	1,258,678	–	May 1993 – May 2013
May 1992	1,070,135	1,047,419	–	May 1992 – May 2012
April 1991	668,473	651,952	–	Apr 1991 – Apr 2011
	8,210,218	**8,072,889**		
Executive Share Scheme Partly Paid Shares				
October 1997	74,959	74,959	–	Oct 1997 – Oct 2017
October 1996	74,959	74,959	–	Oct 1996 – Oct 2016
October 1995	40,000	40,000	–	Oct 1995 – Oct 2015
	189,918	**189,918**		
Group Incentive Scheme				
Deferred Shares				
December 2009	153,367	153,367	–	Aug 2011 – Aug 2014
December 2008	1,766,232	1,128,584	–	Aug 2010 – Aug 2013
December 2007	356,319	322,495	–	Aug 2009 – Aug 2012
December 2006	269,289	243,201	–	Aug 2008 – Aug 2011
December 2005	46,265	–	–	Aug 2007 – Aug 2010
Options				
December 2008	1,080,132	1,061,795	A$29.15	Aug 2010 – Aug 2013
December 2007	320,094	320,094	A$43.61	Aug 2009 – Aug 2012
December 2006	148,175	141,162	A$26.28	Aug 2008 – Aug 2011
December 2005	57,267	–	A$21.91	Aug 2007 – Aug 2010
Performance Shares				
December 2004	3,541	–	–	Aug 2007 – Aug 2010
	4,200,681	**3,370,698**		
Group Short-Term Incentive Plan				
Deferred Shares				
December 2009	867,717	848,196	–	Aug 2011 – Aug 2014
Options				
December 2009	247,906	247,906	A$38.41	Aug 2011 – Aug 2014
	1,115,623	**1,096,102**		
Long Term Incentive Plan Performance Shares				
December 2009	700,000	700,000	–	Aug 2014 – Aug 2019
December 2008	1,350,000	1,350,000	–	Aug 2013 – Aug 2018
December 2007	5,177,191	5,099,551	–	Aug 2012 – Aug 2017
December 2006	4,903,290	4,831,063	–	Aug 2011 – Aug 2016
December 2005	4,900,065	3,057,965	–	Aug 2010 – Aug 2015
December 2004	760,150	635,858	–	Aug 2009 – Aug 2014
	17,790,696	**15,674,437**		

Notes to Financial Statements continued

32 Employee share ownership plans continued

Employee share awards – summary continued [h] [i]

Month of issue	Awards outstanding at: 30 June 2010	Awards outstanding at: 7 September 2010	Exercise price [g]	Exercise period/release date
Management Award Plan				
December 2009	2,324,497	2,324,038	–	Aug 2012 – Aug 2015
November 2008 and March 2009	2,083,747	1,983,454	–	Aug 2011 – Aug 2014
	4,408,244	**4,307,492**		
Performance Share Plan Performance Rights				
November 2001 (LTI)	58,563	58,563	–	Oct 2004 – Aug 2011
	58,563	**58,563**		
Shareplus				
September 2009 to June 2010	1,290,786	1,260,866	–	Apr 2012
September 2008 to June 2009	1,141,974	1,118,091	–	Apr 2011
	2,432,760	**2,378,957**		
BHP Billiton Plc				
Co-Investment Plan				
October 2001	22,996	7,997	–	Oct 2003 – Sep 2011
	22,996	**7,997**		
Group Incentive Scheme				
Deferred Shares				
December 2009	45,819	45,819	–	Aug 2011 – Aug 2014
December 2008	590,034	426,709	–	Aug 2010 – Aug 2013
December 2007	109,600	107,975	–	Aug 2009 – Aug 2012
December 2006	73,052	68,979	–	Aug 2008 – Aug 2011
December 2005	24,242	–	–	Aug 2007 – Aug 2010
Options				
December 2009	16,119	16,119	£18.68	Aug 2011 – Aug 2014
December 2008	936,622	796,907	£10.89	Aug 2010 – Aug 2013
December 2007	134,451	134,451	£16.51	Aug 2009 – Aug 2012
December 2006	71,817	71,817	£9.72	Aug 2008 – Aug 2011
December 2005	89,838	–	£8.82	Aug 2007 – Aug 2010
	2,091,594	**1,668,776**		
Group Short-Term Incentive Plan				
Deferred Shares				
December 2009	420,997	419,030	–	Aug 2011 – Aug 2014
Options				
December 2009	29,457	29,457	£16.44	Aug 2011 – Aug 2014
	450,454	**448,487**		
Long Term Incentive Plan Performance Shares				
December 2009	240,000	240,000	–	Aug 2014 – Aug 2019
December 2008	550,839	550,839	–	Aug 2013 – Aug 2018
December 2007	1,895,178	1,866,560	–	Aug 2012 – Aug 2017
December 2006	1,954,560	1,921,109	–	Aug 2011 – Aug 2016
December 2005	2,045,174	1,494,762	–	Aug 2010 – Aug 2015
December 2004	338,954	279,417	–	Aug 2009 – Aug 2014
	7,024,705	**6,352,687**		
Management Award Plan				
December 2009	927,194	912,763	–	Aug 2012 – Aug 2015
November 2008 and March 2009	883,247	862,750	–	Aug 2011 – Aug 2014
	1,810,541	**1,775,513**		
Shareplus				
September 2009 to June 2010	313,667	301,213	–	Apr 2012
September 2008 to June 2009	294,264	280,933	–	Apr 2011
	607,931	**582,146**		

32 Employee share ownership plans continued

(a) Awards were made to senior management under four active employee ownership plans in BHP Billiton for the year ended 30 June 2010: the Long Term Incentive Plan (LTIP), Group Incentive Scheme (GIS), Management Awards Plan (MAP) and Group Short-Term Incentive Plan (GSTIP). These awards take the form of Performance Shares, Deferred Shares and/or Options, and Restricted Shares in either BHP Billiton Limited or BHP Billiton Plc. Awards made are subject to performance hurdles (LTIP) and service conditions (all plans). Subject to the performance conditions and service conditions being met and the extent to which they are met, the awards will vest and the participant will become entitled to the appropriate number of ordinary shares or, if relevant, entitled to exercise options over the relevant number of ordinary shares. A description of the plans follows:

(i) **GIS and GSTIP**

The GIS awards are split equally between a cash award (being a percentage of base salary) and a grant of Deferred Shares and/or Options. The GSTIP is a replacement plan to the GIS for certain employees below the GMC and was first introduced during the year ended 30 June 2009. Awards are split equally between a cash award (being a percentage of base salary) and a grant of Deferred Shares and/or Options. Deferred Shares and/or Options are subject to a two-year vesting period before they can be exercised. If, during that period, an individual resigns without the Remuneration Committee's consent, or is dismissed for cause, their entitlement is forfeited. Deferred Shares and/or Options in respect of the year ended 30 June 2010 will be awarded during the year ending 30 June 2011.

(ii) **LTIP and MAP**

The LTIP awards are in the form of Performance Shares, and are awarded annually. The performance hurdle applicable to the awards granted requires the Group's Total Shareholder Return (TSR) over a five-year performance period to be greater than the weighted average TSR of a peer group of companies. To the extent that the performance hurdle is not achieved, awards are forfeited. There is no retesting. For all Performance Shares to vest, the Group's TSR must exceed the weighted average TSR of the Index by a specified percentage, determined each year by the Remuneration Committee. Since the establishment of the LTIP in 2004, this percentage has been set each year at 5.5 per cent. For performance between the weighted average TSR of the Index and 5.5 per cent per annum above the Index, vesting occurs on a sliding scale.

The MAP is a replacement plan to the LTIP for employees below the GMC. Under the MAP participants receive an Award of Restricted Shares, the number of which is determined by role, performance and organisational level. There are no performance conditions attached to the Award and all the shares that have been granted will vest at the end of three years providing participants remain in employment over that time.

Participants in all award plans are eligible to receive a payment equal to the dividend amount that would have been earned on the underlying shares represented by the Deferred Shares, Options, Restricted Shares and Performance Shares awarded to those participants (the Dividend Equivalent Payment). The Dividend Equivalent Payment is made to the participants once the underlying shares are issued or transferred to them. No Dividend Equivalent Payment is made in respect of Deferred Shares, Options and Performance Shares that lapse.

(b) Shareplus, an all-employee share purchase plan, commenced in April 2007. Employees may contribute up to US$5,000 to acquire shares (Acquired Shares) in any Plan year. On the third anniversary of the start of a Plan year, the Company will match the number of Acquired Shares held by the employee at that time with Matched Shares. The employees have no beneficial entitlement to the Matched Shares until they are awarded. Acquired Shares are purchased on a quarterly basis. Employees can sell their Acquired Shares at any time. If, prior to the third anniversary, an individual resigns without the Remuneration Committee's consent, or is dismissed for cause, their entitlement to Matched Shares is forfeited.

(c) The fair value of awards as presented in the tables above represents the fair value at grant date. The fair values of awards granted were estimated using a Monte Carlo simulation methodology, Black-Scholes option pricing technique and net present value technique.

(d) The risk-free interest rate used for the LTIP is an annual compound rate. The risk-free interest rate used for the GIS Options and Deferred Shares is a government bond rate.

(e) Historical volatility has been used to estimate the volatility of the share price.

(f) Awards issued under these plans occurred before 7 November 2002 and as such are exempt from the provisions of IFRS 2 'Share-based Payment'. Details of these plans have been provided here for information purposes only.

(g) Exercise price on awards issued is equal to the exercise price as per awards outstanding.

(h) Shares issued on exercise of BHP Billiton's employee share ownership plans include shares purchased on-market.

(i) In respect of employee share awards, the Group utilises the following trusts:

(i) The Billiton Employee Share Ownership Plan Trust (the Trust) is a discretionary trust for the benefit of all employees of BHP Billiton Plc and its subsidiaries. The trustee is an independent company, resident in Jersey. The Trust uses funds provided by BHP Billiton Plc and/or its subsidiaries as appropriate to acquire ordinary shares to enable awards to be made or satisfied under the LTIP, MAP, GIS, GSTIP, RSS, CIP, Shareplus and other employee share schemes operated by BHP Billiton Plc from time to time. The ordinary shares may be acquired by purchase in the market or by subscription at not less than nominal value. The Trust has waived its rights to dividends on shares held to meet future awards under Shareplus.

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

(iii) The BHP Billiton Limited Executive Incentive Schemes Trust (BEIS Trust) is a discretionary trust established for the purposes of holding shares in BHP Billiton Limited to satisfy exercises made under the LTIP, MAP, GIS, GSTIP, Shareplus and other employee share schemes operated by BHP Billiton Limited from time to time.

Notes to Financial Statements continued

33 Employees

	2010 Number	2009 Number	2008 Number
Average number of employees [a]			
Petroleum	**2,178**	2,105	2,143
Aluminium	**4,471**	4,938	5,145
Base Metals	**7,434**	7,731	7,443
Diamonds and Specialty Products	**1,689**	1,923	2,043
Stainless Steel Materials	**3,481**	4,039	4,223
Iron Ore	**3,624**	3,254	3,105
Manganese	**2,549**	2,532	2,142
Metallurgical Coal	**3,533**	3,892	3,680
Energy Coal	**8,762**	8,437	9,183
Group and unallocated	**1,849**	2,139	2,625
	39,570	40,990	41,732

[a] Average employee numbers include executive Directors, 100 per cent of employees of subsidiary companies, and our share of proportionate consolidated entities and operations. Part-time employees are included on a full-time equivalent basis. Employees of businesses acquired or disposed of during the year are included for the period of ownership. People employed by contractors are not included.

34 Auditor's remuneration

	2010 US$M	2009 US$M	2008 US$M
Fees payable to the Group's auditor for audit services			
Audit of the Group's annual report	**3.799**	4.011	3.517
Audit of subsidiaries and associates pursuant to legislation [a]	**9.578**	11.312	10.159
Total audit services	**13.377**	15.323	13.676
Fees payable to the Group's auditor for other services			
Other services pursuant to legislation [b]	**5.433**	6.050	5.009
Other services relating to taxation [c]	**0.065**	0.068	0.063
Other services relating to corporate finance [d]	**2.308**	3.571	3.253
All other services [e]	**1.021**	0.762	1.085
Total other services	**8.827**	10.451	9.410
Total fees	**22.204**	25.774	23.086

All amounts were paid to KPMG or KPMG affiliated firms.

[a] This amount primarily includes the statutory audit of subsidiaries and other audit work performed in relation to the Group's Annual Report by KPMG non-head office teams, as well as audit fees of US$0.093 million (2009: US$0.079 million; 2008: US$0.100 million) for pension funds. For UK purposes this would be classified as a separate component of 'other services'.
[b] Mainly comprises review of half year reports and audit work in relation to compliance with section 404 of the US Sarbanes-Oxley Act.
[c] Mainly comprises tax compliance services.
[d] Mainly comprises services in connection with acquisitions, divestments and debt raising transactions.
[e] Mainly comprises advice on accounting matters and performing other procedures of an audit nature.

35 Subsequent events

On 20 August 2010, the Group announced an all-cash offer to acquire all of the issued and outstanding common shares of Potash Corporation of Saskatchewan Inc. (PotashCorp) at a price of US$130 per common share. As part of this transaction a funding facility of US$45 billion has been established.

Other than the matters outlined elsewhere in these financial statements, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the BHP Billiton Group in subsequent accounting periods.

36 BHP Billiton Limited

BHP Billiton Limited does not present unconsolidated parent company financial statements. Selected financial information of the BHP Billiton Limited parent company is as follows:

	2010 US$M	2009 US$M
Income Statement information for the year ended 30 June 2010		
Profit after taxation for the year	**7,501**	8,130
Total comprehensive income	**7,403**	8,063
Balance Sheet information as at 30 June 2010		
Current assets	**16,045**	23,449
Total assets	**51,243**	42,825
Current liabilities	**22,574**	24,246
Total liabilities	**30,536**	26,859
Share capital	**938**	938
Employee share awards reserve	**435**	329
Retained earnings	**19,334**	14,699
Total equity	**20,707**	15,966

Parent company guarantees

BHP Billiton Limited has guaranteed certain financing arrangements available to subsidiaries of US$5,284 million at 30 June 2010 (2009: US$5,721 million).

Under the terms of a deed poll guarantee, the Company has guaranteed certain current and future liabilities of BHP Billiton Plc. At 30 June 2010, the guaranteed liabilities amounted to US$14 million (2009: US$14 million).

BHP Billiton Limited and BHP Billiton Plc have severally, fully and unconditionally guaranteed the payment of the principal and premium, if any, and interest, including certain additional amounts which may be payable in respect of the notes issued by BHP Billiton Finance (USA) Ltd. BHP Billiton Limited and BHP Billiton Plc have guaranteed the payment of such amounts when they become due and payable, whether on an interest payment date, at the stated maturity of the notes, by declaration or acceleration, call for redemption or otherwise. At 30 June 2010, the guaranteed liabilities amounted to US$6,825 million (2009: US$6,825 million).

BHP Billiton Plc

BHP Billiton Plc is exempt from presenting an unconsolidated parent company profit and loss account in accordance with section 408 of the UK Companies Act 2006. BHP Billiton Plc is required to present its unconsolidated parent company balance sheet and certain notes to the balance sheet on a stand-alone basis as at 30 June 2010 and 2009.

BHP Billiton Plc (unconsolidated parent company) Balance Sheet

		BHP Billiton Plc	
	Notes	**2010 US$M**	2009 US$M
Fixed assets			
Investments			
Subsidiaries	2	**3,131**	3,131
		3,131	3,131
Current assets			
Amounts owed by Group undertakings – amounts due within one year		**2,766**	1,048
Debtors and prepayments		**1**	2
Cash including money market deposits		**3**	4
		2,770	1,054
Creditors – amounts falling due within one year	3	**(1,055)**	(1,017)
Net current assets		**1,715**	37
Total assets less current liabilities		**4,846**	3,168
Provisions for liabilities and charges	4	**–**	(4)
Net assets before pension liabilities		**4,846**	3,164
Pension liabilities	4, 8	**(9)**	(9)
Net assets after pension liabilities		**4,837**	3,155
Capital and reserves			
Called up share capital [(a)]	5	**1,116**	1,116
Treasury shares [(a)]	5	**(524)**	(524)
Share premium account	5	**518**	518
Share buy-back reserve	5	**118**	118
Profit and loss account	5	**3,609**	1,927
Equity shareholders' funds	5	**4,837**	3,155

[(a)] Refer to note 19 of the BHP Billiton Group financial statements.

The BHP Billiton Plc unconsolidated parent company financial statements were approved by the Board of Directors on 7 September 2010 and signed on its behalf by:

Jacques Nasser AO
Chairman

Marius Kloppers
Chief Executive Officer

1 Principal accounting policies

(i) Basis of accounting

The BHP Billiton Plc entity accounts are prepared in accordance with the United Kingdom Companies Act 2006 and applicable UK Generally Accepted Accounting Principles (UK GAAP) using the historical cost convention and have been applied on a consistent basis with the year ended 30 June 2009.

The Company has applied the exemption within FRS 29 'Financial Instruments: Disclosures' available to parent entity accounts presented in consolidated financial statements that are publicly available where disclosures are presented on a group basis. The Group's financial risk management disclosures are presented in note 28 of the financial statements of the BHP Billiton Group.

(ii) Foreign currencies

The accounting policy is consistent with the Group's policy set out in note 1 of the financial statements of the BHP Billiton Group.

(iii) Investments

Fixed asset investments are stated at cost less provisions for impairments. Fixed asset investments are assessed to ensure carrying amounts do not exceed estimated recoverable amounts. The carrying amount of each income generating unit is reviewed at least annually to evaluate whether the carrying amount is recoverable or 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.

(iv) Deferred taxation

Tax-effect accounting is applied in respect of corporation tax. Full provision is made for deferred tax liabilities and deferred tax assets that 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 purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the timing differences are expected to reverse.

(v) Share-based payments

The accounting policy is consistent with the Group's policy set out in note 1 of the financial statements of the BHP Billiton Group and is applied with respect to all rights and options granted over BHP Billiton Plc shares including those granted to employees of other Group companies. However, the cost of rights and options granted is recovered from subsidiaries of the Group where the participants are employed. Details of the Employee Share Ownership Plans and the Billiton Employee Share Ownership Plan Trust (the 'Trust') are contained in note 32 of the financial statements of the BHP Billiton Group. BHP Billiton Plc is the Trust's sponsoring company and so the financial statements of BHP Billiton Plc represent the combined financial statements of the Company and the Trust.

(vi) Revenue recognition

Interest income is recognised on an accruals basis. Dividend income is recognised on declaration by subsidiaries.

(vii) Treasury shares

The consideration paid for the repurchase of BHP Billiton Plc shares which are held as treasury shares is recognised as a reduction in shareholders' funds and represents a reduction in distributable reserves.

(viii) Pension costs and other post-retirement benefits

The accounting policy is consistent with the Group's policy set out in note 1 of the financial statements of the BHP Billiton Group.

2 Fixed assets

At 30 June 2010 the Company held an investment of US$3,131 million (2009: US$3,131 million) in BHP Billiton Group Ltd which represents 100 per cent of the ordinary shares on issue and US$73,710 (2009: US$73,710) in BHP Billiton Finance Plc which represents 99 per cent of the ordinary shares on issue. BHP Billiton Group Ltd and BHP Billiton Finance Plc are included in the consolidation of the BHP Billiton Group.

3 Creditors – amounts falling due within one year

	2010 US$M	2009 US$M
Amounts owed to Group undertakings [(a)]	**1,050**	1,016
Accruals	**5**	1
Total creditors	**1,055**	1,017

[(a)] The audit fee payable in respect of the audit of the BHP Billiton Plc parent company financial statements was a nominal amount (refer to note 34 of the BHP Billiton Group financial statements for fees for the Group as a whole). This has been included within amounts owed to Group undertakings.

4 Provisions for liabilities and charges

	Pension liabilities US$M	Employee benefits US$M	Total US$M
At 1 July 2009	**9**	**4**	**13**
Charge for the year	**–**	**1**	**1**
Actuarial loss taken to profit and loss account reserve	**1**	**–**	**1**
Utilisation	**(1)**	**(1)**	**(2)**
Released during the year	**–**	**(4)**	**(4)**
At 30 June 2010	**9**	**–**	**9**

5 Shareholders' funds

	Share capital US$M	Treasury shares [b] US$M	Share premium account US$M	Share buy-back reserve US$M	Profit and loss account US$M	Total US$M
Balance at 1 July 2009	**1,116**	**(524)**	**518**	**118**	**1,927**	**3,155**
Profit for the financial year [a]	–	–	–	–	**3,520**	**3,520**
Actuarial loss on pension plan	–	–	–	–	**(1)**	**(1)**
Total recognised gains for the financial year	–	–	–	–	**3,519**	**3,519**
Dividends for the financial year	–	–	–	–	**(1,831)**	**(1,831)**
Purchase of shares by ESOP trusts	–	**(58)**	–	–	–	**(58)**
Accrued entitlement for unvested employee share awards	–	–	–	–	**52**	**52**
Employee share awards exercised following vesting, net of employee contributions and lapses	–	**58**	–	–	**(58)**	–
Net movement for the financial year	–	–	–	–	**1,682**	**1,682**
Balance at 30 June 2010	**1,116**	**(524)**	**518**	**118**	**3,609**	**4,837**

[a] Profit for the financial year ended 30 June 2009 was US$236 million.
[b] Shares held by the Billiton Employee Share Ownership Plan Trust for 2010 were 931,200 shares with a market value of US$24 million (2009: 876,628 shares with a market value of US$22 million).

6 Parent company guarantees

Under the terms of a deed poll guarantee, BHP Billiton Plc has guaranteed certain current and future liabilities of BHP Billiton Limited. At 30 June 2010, the guaranteed liabilities amounted to US$6,770 million (2009: US$6,808 million).

BHP Billiton Plc and BHP Billiton Limited have severally, fully and unconditionally guaranteed the payment of the principal and premium, if any, and interest, including certain additional amounts which may be payable in respect, of the notes issued by BHP Billiton Finance (USA) Ltd. BHP Billiton Plc and BHP Billiton Limited have guaranteed the payment of such amounts when they become due and payable, whether on an interest payment date, at the stated maturity of the notes, by declaration or acceleration, call for redemption or otherwise. At 30 June 2010, the guaranteed liabilities amounted to US$6,825 million (2009: US$6,825 million).

7 Financing facilities

BHP Billiton Plc is a party to a revolving credit facility. Refer to note 28 of the BHP Billiton Group financial statements.

8 Pension liabilities

The BHP Billiton Group operates the UK Executive fund in the United Kingdom. A full actuarial valuation is prepared by the independent actuary to the fund as at 30 June 2010. The Group operates final salary schemes that provide final salary benefits only, non-salary related schemes that provide flat dollar benefits and mixed benefit schemes that consist of a final salary defined benefit portion and a defined contribution portion.

Amounts recognised in the balance sheet are as follows:

	2010 US$M	2009 US$M
Present value of funded defined benefit obligation	**15**	14
Fair value of defined benefit scheme assets	**(6)**	(5)
Scheme deficit	**9**	9
Net liability recognised in the balance sheet	**9**	9

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

	2010 US$M	2009 US$M
Defined benefit obligation at beginning of year	**14**	17
Interest cost	**1**	1
Actuarial loss/(gain) on benefit obligations	**2**	(1)
Benefits paid to participants	**(1)**	(1)
Currency exchange gains	**(1)**	(2)
Defined benefit obligation at end of year	**15**	14

8 Pension liabilities continued

The changes in the fair value of scheme assets are as follows:

	2010 US$M	2009 US$M
Fair value of scheme assets at beginning of year	**5**	6
Actuarial gain on scheme assets	**1**	–
Benefits paid	**–**	(1)
Fair value of scheme assets at end of year	**6**	5

The fair values of defined benefit pension scheme assets segregated by major asset class and the expected rates of return are as follows:

	2010 US$M	2009 US$M	2010 %	2009 %
Bonds	**1**	1	**4.3**	4.3
Equities	**2**	2	**8.3**	8.3
Cash and net current assets	**–**	–	**4.3**	4.0
Other	**3**	2	**5.5**	6.9
Total	**6**	5	**5.1**	5.2

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

The actual return on assets for the year ended 30 June 2010 is US$1 million (2009: US$ nil).

The major assumptions used by the actuary are as follows:

	2010 %	2009 %
Salary increases	**5.0**	5.0
Pension increases	**3.5**	3.4
Discount rate	**5.5**	6.3
Inflation	**3.5**	3.4

The primary post-retirement mortality tables used are PNA00U2007 with an allowance for medium cohort movements in line with the PMA92 and PFA92 tables. Adjustments are made for expected mortality improvements. These tables are standard mortality tables.

The present value of defined benefit obligations, fair value of scheme assets and associated experience adjustments are shown for the current year and the previous four years:

	2010 US$M	2009 US$M	2008 US$M	2007 US$M	2006 US$M
Present value of defined benefit obligation	**15**	14	17	17	16
Fair value of defined benefit scheme assets	**(6)**	(5)	(6)	(7)	(5)
Scheme deficit	**9**	9	11	10	11
Experience adjustments to scheme liabilities	**2**	(1)	–	–	–
Experience adjustments to scheme assets	**1**	–	(1)	1	1

9 Employee numbers

	2010 Number	2009 Number
Average number of employees during the year including executive Directors	**1**	1

Directors' declaration

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

(a) in the Directors' opinion the financial statements and notes, set out on pages 191 to 265 are in accordance with the United Kingdom Companies Act 2006 and the Australian Corporations Act 2001, including:
   (i) Complying with the applicable Accounting Standards; and
   (ii) Giving a true and fair view of the financial position of each of BHP Billiton Limited, BHP Billiton Plc, the BHP Billiton Group and the undertakings included in the consolidation taken as a whole as at 30 June 2010 and of their performance for the year ended 30 June 2010;

(b) the financial report also complies with International Financial Reporting Standards, as disclosed in note 1;

(c) the Directors' Report includes a fair review of the development and performance of the business and the financial position of the BHP Billiton Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces; and

(d) in the Directors' opinion there are reasonable grounds to believe that each of the BHP Billiton Group, BHP Billiton Limited and BHP Billiton Plc will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Australian Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010.

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

Jacques Nasser AO – Chairman

Marius Kloppers – Chief Executive Officer

Dated this 7th day of September 2010

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. References to the 'Group and parent company financial statements' are made in relation to the Group and individual parent company financial statements of BHP Billiton Plc.

UK company law requires the Directors to prepare Group and parent company financial statements for each financial year. The Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements must, in accordance with IFRS as adopted by the EU and applicable law, present fairly the financial position and performance of the Group; references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements must, in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the state of affairs of the parent company at the end of the financial year and of the profit or loss of the parent company for the financial year.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the UK Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Lead Auditor's Independence Declaration

To the Directors of BHP Billiton Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

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

This declaration is in respect of the BHP Billiton Group and the entities it controlled during the year.

KPMG

Martin Sheppard
Partner

Melbourne
7 September 2010

Independent Auditors' Reports

of KPMG Audit Plc ('KPMG UK') to the members of BHP Billiton Plc and of KPMG ('KPMG Australia') to the members of BHP Billiton Limited

For the purpose of these reports, the terms 'we' and 'our' denote KPMG UK in relation to UK professional and regulatory responsibilities and reporting obligations to the members of BHP Billiton Plc and KPMG Australia in relation to Australian professional and regulatory responsibilities and reporting obligations to the members of BHP Billiton Limited.

The BHP Billiton Group ('the Group') consists of BHP Billiton Plc and BHP Billiton Limited and the entities they controlled at the end of the year or from time to time during the financial year.

We have audited the Group financial statements for the year ended 30 June 2010 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, the summary of accounting policies and other explanatory notes (1 to 36). In addition, we have audited the Directors' Remuneration Report for the year ended 30 June 2010 in accordance with the requirements of the UK Companies Act 2006, the Australian Corporations Act 2001 and the non-statutory remuneration disclosures as described below. KPMG UK has also audited the Parent company financial statements of BHP Billiton Plc for the year ended 30 June 2010 which comprise the Parent company balance sheet and the related notes 1 to 9. KPMG Australia has also audited the Directors' declaration.

The Group financial statements and the Parent company financial statements of BHP Billiton Plc are collectively referred to as 'the financial statements'.

KPMG UK's report is made solely to the members of BHP Billiton Plc, as a body, in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006 and, in respect of the opinions in relation to International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and the non-statutory remuneration disclosures, on terms that have been agreed. KPMG UK's audit work has been undertaken so that it might state to the members of BHP Billiton Plc those matters it is required to state to them in an auditor's report and, in respect of the opinions in relation to IFRS as issued by the IASB and the non-statutory remuneration disclosures, those matters that it has agreed to state to them in its report, and for no other purpose. KPMG Australia has conducted an independent audit of the Group financial statements in accordance with Australian Auditing Standards as required by the Australian Corporations Act 2001 and, in respect of the opinion in relation to the non-statutory remuneration disclosures, on terms that have been agreed, solely in order to express an opinion to the members of BHP Billiton Limited and for no other purpose. To the fullest extent permitted by law, KPMG UK does not accept or assume responsibility to anyone other than BHP Billiton Plc and the members of BHP Billiton Plc as a body, for KPMG UK's audit work, for this report, or for the opinions it has formed. To the fullest extent permitted by law, KPMG Australia does not accept or assume responsibility to anyone other than BHP Billiton Limited and the members of BHP Billiton Limited as a body, for KPMG Australia's audit work, for this report, or for the opinions it has formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable law and IFRSs as adopted by the EU, and for preparing the Parent company financial statements of BHP Billiton Plc, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with applicable law, regulations and UK Accounting Standards ('UK Generally Accepted Accounting Practice').
The Directors are responsible for preparing the Group financial statements in accordance with the applicable Australian Accounting Standards (including the Australian Accounting Interpretations) and the Australian Corporations Act 2001, and the Directors' Remuneration Report in accordance with section 300A of the Australian Corporations Act 2001. The Directors are responsible for being satisfied that the financial statements give a true and fair view and for determining whether the basis of preparation used in relation to the non-statutory remuneration disclosures included in the Directors' Remuneration Report are appropriate to meet the needs of the members. As explained in note 1 to the Group financial statements, in addition to complying with their legal obligation to apply IFRSs as adopted by the EU, the Directors have also applied IFRSs as issued by the IASB when preparing the Group financial statements. In addition the Directors are responsible for preparing the non-statutory remuneration disclosures included in the Directors' Remuneration Report in accordance with the basis of preparation set out therein.

Additionally, the Directors are responsible for establishing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors' responsibilities pursuant to their reporting obligations to the members of BHP Billiton Plc are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, International Standards on Auditing (UK and Ireland) and Australian Auditing Standards and to express an opinion thereon based on those audits. These Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement.

KPMG UK and KPMG Australia report to the members of BHP Billiton Plc and BHP Billiton Limited respectively our opinions as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with relevant UK and Australian requirements respectively. The UK requirements are those of the UK Companies Act 2006 and Article 4 of the IAS Regulation. The Australian requirements are those of Australian Accounting Standards (including the Australian Accounting Interpretations), Australian statutory requirements and other mandatory professional reporting requirements in Australia. In addition KPMG UK and KPMG Australia report to the members of BHP Billiton Plc and BHP Billiton Limited respectively our opinions as to whether the non-statutory remuneration disclosures have been properly prepared in accordance with the basis of preparation set out therein. No opinion is expressed as to whether this basis of preparation is appropriate to meet the needs of the members.

We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Independent auditor's report continued

Scope of the audit of the financial statements

We conducted our audits in accordance with relevant legal and regulatory requirements, International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with Australian Auditing Standards issued by the Australian Auditing and Assurance Standards Board.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and BHP Billiton Plc's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

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

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

In conducting our audit, KPMG Australia has complied with the independence requirements of the Australian Corporations Act 2001.

Opinions of KPMG UK to the members of BHP Billiton Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent company's affairs as at 30 June 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the EU, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited, excluding the non-statutory remuneration disclosures, has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement pursuant to rules 7.2.5 and 7.2.6 in the Disclosure and Transparency Rules is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration Report to be audited, excluding the non-statutory remuneration disclosures, are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- a separate Corporate Governance Statement is required but has been omitted; or
- we have not received all the information and explanations we require for our audit.

Under the UK Listing Rules we are required to review:

- the Directors' statement, set out in section 7.3 of the Directors' Report, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Parent company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Opinion on non-statutory remuneration disclosures

In our opinion, the non-statutory remuneration disclosures set out in the Directors' Remuneration Report of the Group for the year ended 30 June 2010 have been properly prepared, in accordance with the basis of preparation set out therein.

Simon Figgis (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

London
7 September 2010

Opinions of KPMG Australia to the members of BHP Billiton Limited

Opinion on the financial statements

In our opinion:

(a) the Group financial statements including the Directors' declaration, are in accordance with the Australian Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

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

(b) the Group financial statements also comply with International Financial Reporting Standards as disclosed in note 1.

Opinion on the Directors' Remuneration Report

In our opinion, the Directors' Remuneration Report of the Group for the year ended 30 June 2010, excluding the non-statutory remuneration disclosures, complies with section 300A of the Australian Corporations Act 2001.

Opinion on non-statutory remuneration disclosures

In our opinion, the non-statutory remuneration disclosures set out in the Directors' Remuneration Report of the Group for the year ended 30 June 2010 have been properly prepared, in accordance with the basis of preparation set out therein.

KPMG

Martin Sheppard
Partner

Melbourne
7 September 2010

Supplementary oil and gas information – unaudited

Reserves and production

Proved oil and gas reserves and net crude oil and condensate, natural gas, LNG and NGL production information is included in the 'Petroleum Reserves' and 'Production' sections of this Annual Report.

Capitalised costs incurred relating to oil and gas exploration and production activities

The following table shows the aggregate capitalised costs relating to oil and gas exploration and production activities and related accumulated depreciation, depletion, amortisation and valuation allowances.

	Australia US$M	United States US$M	Other [a] US$M	Total US$M
Capitalised cost				
2010				
Unproved properties	**276**	**711**	**61**	**1,048**
Proved properties	**9,578**	**6,373**	**4,071**	**20,022**
Total costs	**9,854**	**7,084**	**4,132**	**21,070**
Less: Accumulated depreciation, depletion, amortisation and valuation allowances	**(4,608)**	**(2,373)**	**(3,237)**	**(10,218)**
Net capitalised costs	**5,246**	**4,711**	**895**	**10,852**
2009				
Unproved properties	224	606	24	854
Proved properties	8,269	5,818	4,115	18,202
Total costs	8,493	6,424	4,139	19,056
Less: Accumulated depreciation, depletion, amortisation and valuation allowances	(4,008)	(1,216)	(3,232)	(8,456)
Net capitalised costs	4,485	5,208	907	10,600
2008				
Unproved properties	193	544	24	761
Proved properties	7,171	4,997	4,503	16,671
Total costs	7,364	5,541	4,527	17,432
Less: Accumulated depreciation, depletion, amortisation and valuation allowances	(3,479)	(684)	(3,418)	(7,581)
Net capitalised costs	3,885	4,857	1,109	9,851

[a] See section 2.2.2 for a description of Petroleum's activities.

Costs incurred relating to oil and gas property acquisition, exploration and development activities

The following table shows costs incurred relating to oil and gas property acquisition, exploration and development activities (whether charged to expense or capitalised). Amounts shown include interest capitalised.

Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of geological and geophysical activities and drilling of exploratory wells. Development costs were all incurred to develop booked proved undeveloped reserves.

	Australia US$M	United States US$M	Other US$M	Total US$M
2010				
Acquisitions of proved property	**–**	**–**	**–**	**–**
Acquisitions of unproved property	**–**	**40**	**–**	**40**
Exploration [a]	**109**	**371**	**371**	**851**
Development	**1,297**	**525**	**184**	**2,006**
Total costs [b]	**1,406**	**936**	**555**	**2,897**
2009				
Acquisitions of proved property	–	–	–	–
Acquisitions of unproved property	–	60	–	60
Exploration [a]	86	183	219	488
Development	1,153	807	115	2,075
Total costs [b]	1,239	1,050	334	2,623
2008				
Acquisitions of proved property	–	–	–	–
Acquisitions of unproved property	–	–	–	–
Exploration [a]	121	392	179	692
Development	999	1,124	80	2,203
Total costs [b]	1,120	1,516	259	2,895

[a] Represents gross exploration expenditure.
[b] Total costs include US$2,260 million (2009: US$2,223 million; 2008: US$2,583 million) capitalised during the year.

Results of operations from oil and gas producing activities

The following information is similar to the disclosures in note 2 to the financial statements 'Segment reporting' but differs in several respects as to the level of detail and geographic information. Amounts shown in the following table exclude financial income, financial expenses and general corporate overheads.

Income taxes were determined by applying the applicable statutory rates to pre-tax income with adjustments for permanent differences and tax credits. Certain allocations of tax provisions among geographic areas were necessary and are based on management's assessment of the principal factors giving rise to the tax obligation.

Revenues include sales to affiliates but amounts are not significant.

	Australia US$M	United States US$M	Other US$M	Total US$M
2010				
Oil and gas revenue	**4,321**	**3,177**	**1,198**	**8,696**
Production costs	**(586)**	**(275)**	**(216)**	**(1,077)**
Exploration expenses	**(60)**	**(248)**	**(329)**	**(637)**
Depreciation, depletion and amortisation	**(597)**	**(1,179)**	**(212)**	**(1,988)**
Production taxes [a]	**(264)**	**–**	**(8)**	**(272)**
	2,814	**1,475**	**433**	**4,722**
Income taxes	**(815)**	**(516)**	**(326)**	**(1,657)**
Royalty related taxes [b]	**(397)**	**–**	**14**	**(383)**
Results of oil and gas producing activities [c]	**1,602**	**959**	**121**	**2,682**
2009				
Oil and gas revenue	4,337	1,439	1,243	7,019
Production costs	(376)	(172)	(206)	(754)
Exploration expenses	(55)	(123)	(222)	(400)
Depreciation, depletion and amortisation	(553)	(560)	(248)	(1,361)
Production taxes [a]	(293)	–	(9)	(302)
	3,060	584	558	4,202
Income taxes	(928)	(214)	(347)	(1,489)
Royalty related taxes [b]	(470)	–	(11)	(481)
Results of oil and gas producing activities [c]	1,662	370	200	2,232
2008				
Oil and gas revenue	4,860	1,358	1,882	8,100
Production costs	(301)	(103)	(233)	(637)
Exploration expenses	(48)	(187)	(124)	(359)
Depreciation, depletion and amortisation	(461)	(312)	(330)	(1,103)
Production taxes [a]	(229)	–	(11)	(240)
	3,821	756	1,184	5,761
Income taxes	(1,650)	(266)	(723)	(2,639)
Royalty related taxes [b]	(590)	–	(5)	(595)
Results of oil and gas producing activities [c]	1,581	490	456	2,527

[a] Includes royalties and excise duty.
[b] Includes petroleum resource rent tax and petroleum revenue tax where applicable.
[c] Amounts shown exclude financial income, financial expenses and general corporate overheads and, accordingly, do not represent all of the operations attributable to the Petroleum segment presented in note 2 to the financial statements. There are no non-controlling equity interests.

Supplementary oil and gas information – unaudited continued

Standardised measure of discounted future net cash flows relating to proved oil and gas reserves ('Standardised measure')

The purpose of this disclosure is to provide data with respect to the estimated future net cash flows from future production of proved developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas.

The Standardised measure is based on the Group's estimated proved reserves, (as presented in section 2.14.1 'Petroleum Reserves') and this data should be read in conjunction with that disclosure, which is hereby incorporated by reference into this section. The Standardised measure is prepared on a basis which presumes that year end economic and operating conditions will continue over the periods in which year end proved reserves would be produced. The effects of future inflation, future changes in exchange rates, expected future changes in technology, taxes, operating practices and any regulatory changes have not been included.

The Standardised measure is prepared by projecting the estimated future annual production of proved reserves owned at period end and pricing that future production to derive future cash inflows. Estimates of future cash flows for 2010 are computed using the average first-day-of-the-month price during the 12-month period for 2010 and using the year end prices for 2009 and 2008. Future price increases for all periods presented are considered only to the extent that they are provided by fixed and determinable contractual arrangements in effect at year end and are not dependent upon future inflation or exchange rate changes.

Future cash inflows for all periods presented are then reduced by future costs of producing and developing the year end proved reserves based on costs in effect at year end without regard to future inflation or changes in technology or operating practices. Future development costs include the costs of drilling and equipping development wells and construction of platforms and production facilities to gain access to proved reserves owned at year end. They also include future costs, net of residual salvage value, associated with the abandonment of wells, dismantling of production platforms and rehabilitation of drilling sites. Future cash inflows are further reduced by future income taxes based on tax rates in effect at year end and after considering the future deductions and credits applicable to proved properties owned at year end. The resultant annual future net cash flows (after deductions of operating costs including resource rent taxes, development costs and income taxes) are discounted at 10 per cent per annum to derive the Standardised measure.

There are many important variables, assumptions and imprecisions inherent in developing the Standardised measure, the most important of which are the level of proved reserves and the rate of production thereof. The Standardised measure is not an estimate of the fair market value of the BHP Billiton Group's oil and gas reserves. An estimate of fair value would also take into account, among other things, the expected recovery of reserves in excess of proved reserves, anticipated future changes in prices, costs and exchange rates, anticipated future changes in secondary tax and income tax rates and alternative discount factors representing the time value of money and adjustments for risks inherent in producing oil and gas.

	Australia US$M	United States US$M	Other US$M	Total US$M
Standardised measure				
2010				
Future cash inflows	**41,544**	**19,792**	**5,810**	**67,146**
Future production costs	**(15,618)**	**(3,060)**	**(1,336)**	**(20,014)**
Future development costs	**(6,933)**	**(3,733)**	**(607)**	**(11,273)**
Future income taxes	**(4,502)**	**(3,888)**	**(1,852)**	**(10,242)**
Future net cash flows	**14,491**	**9,111**	**2,015**	**25,617**
Discount at 10 per cent per annum	**(6,092)**	**(3,560)**	**(538)**	**(10,190)**
Standardised measure	**8,399**	**5,551**	**1,477**	**15,427**
2009				
Future cash inflows	36,016	13,463	6,354	55,833
Future production costs	(14,198)	(1,778)	(1,340)	(17,316)
Future development costs	(7,699)	(2,053)	(672)	(10,424)
Future income taxes	(3,314)	(2,647)	(1,989)	(7,950)
Future net cash flows	10,805	6,985	2,353	20,143
Discount at 10 per cent per annum	(4,877)	(2,619)	(642)	(8,138)
Standardised measure	5,928	4,366	1,711	12,005
2008				
Future cash inflows	63,266	27,973	9,499	100,738
Future production costs	(23,558)	(2,125)	(2,086)	(27,769)
Future development costs	(7,356)	(1,626)	(859)	(9,841)
Future income taxes	(9,941)	(7,852)	(3,214)	(21,007)
Future net cash flows	22,411	16,370	3,340	42,121
Discount at 10 per cent per annum	(8,490)	(6,176)	(839)	(15,505)
Standardised measure	13,921	10,194	2,501	26,616

Standardised measure of discounted future net cash flows relating to proved oil and gas reserves ('Standardised measure') continued

Changes in the Standardised measure are presented in the following table. The beginning of year and end of year totals are shown after reduction for income taxes and these, together with the changes in income tax amounts, are shown as discounted amounts (at 10 per cent per annum). All other items of change represent discounted amounts before consideration of income tax effects.

	2010 US$M	2009 US$M	2008 US$M
Changes in the Standardised measure			
Standardised measure at the beginning of the year	**12,005**	26,616	13,545
Revisions:			
Prices, net of production costs	**4,029**	(21,588)	20,778
Revisions of quantity estimates [(a)]	**2,716**	1,100	1,629
Accretion of discount	**1,751**	3,998	2,011
Changes in production timing and other [(b)]	**(89)**	(3,690)	(1,792)
	20,412	6,436	36,171
Sales of oil and gas, net of production costs	**(6,964)**	(5,421)	(7,156)
Acquisitions of reserves-in-place	**–**	–	–
Sales of reserves-in-place	**–**	–	–
Development costs incurred which reduced previously estimated development costs	**2,006**	2,075	2,203
Extensions, discoveries, and improved recoveries, net of future costs	**1,375**	1,056	2,199
Changes in future income taxes	**(1,402)**	7,859	(6,801)
Standardised measure at the end of the year	**15,427**	12,005	26,616

[(a)] Changes in reserves quantities are shown in the Petroleum Reserves tables in section 2.14.1.
[(b)] Includes the effect of foreign exchange and changes in future development costs.

Accounting for suspended exploratory well costs

Refer to Accounting Policies 'Exploration and evaluation expenditure' for a discussion of the accounting policy applied to the cost of exploratory wells. Suspended wells are also reviewed in this context.

The following table presents the changes to capitalised exploratory well costs that were pending the determination of proved reserves for the three years ended 30 June 2010, 30 June 2009 and 30 June 2008.

	2010 US$M	2009 US$M	2008 US$M
Movement in capitalised exploratory well costs			
Balance at the beginning of the year	**299.7**	245.9	236.3
Additions to capitalised exploratory well costs pending the determination of proved reserves	**214.8**	122.4	111.2
Capitalised exploratory well costs charged to expense	**1.0**	(68.6)	(100.1)
Capitalised exploratory well costs reclassified to wells, equipment, and facilities based on the determination of proved reserves	**(33.2)**	–	(1.5)
Balance at the end of the year	**482.3**	299.7	245.9

The following table provides an ageing of capitalised exploratory well costs, based on the date the drilling was completed, and the number of projects for which exploratory well costs has been capitalised for a period greater than one year since the completion of drilling.

	2010 US$M	2009 US$M	2008 US$M
Ageing of capitalised exploratory well costs			
Exploratory well costs capitalised for a period of one year or less	**213.0**	83.0	78.7
Exploratory well costs capitalised for a period greater than one year	**269.3**	216.7	167.2
Balance at the end of the year	**482.3**	299.7	245.9

	2010	2009	2008
Number of projects that have been capitalised for a period greater than one year	**8**	7	7

Supplementary oil and gas information – unaudited continued

Drilling and other exploratory and development activities

The number of crude oil and natural gas wells drilled and completed for each of the last three years was as follows:

	Net Exploratory Wells			Net Development Wells			
	Productive	Dry	Total	Productive	Dry	Total	Total
Year ended 30 June 2010							
Australia	1	–	1	11	1	12	13
United States	–	1	1	1	–	1	2
Other	–	2	2	1	–	1	3
Total	1	3	4	13	1	14	18
Year ended 30 June 2009							
Australia	–	1	1	8	–	8	9
United States	–	1	1	6	1	7	8
Other	–	–	–	4	–	4	4
Total	–	2	2	18	1	19	21
Year ended 30 June 2008							
Australia	2	–	2	7	–	7	9
United States	–	1	1	7	–	7	8
Other	–	–	–	1	–	1	1
Total	2	1	3	15	–	15	18

The number of wells drilled refers to the number of wells completed at any time during the respective year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for production of oil or gas, or, in the case of a dry well, to reporting to the appropriate authority that the well has been abandoned.

An exploratory well is a well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir. A development well is a well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

A productive well is an exploratory, development or extension well that is not a dry well. A dry well (hole) is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Oil and gas properties, wells, operations, and acreage

The following tables show the number of gross and net productive crude oil and natural gas wells and total gross and net developed and undeveloped oil and natural gas acreage as at 30 June 2010. A gross well or acre is one in which a working interest is owned, while a net well or acre exists when the sum of fractional working interests owned in gross wells or acres equals one. Productive wells are producing wells and wells mechanically capable of production. Developed acreage is comprised of leased acres that are within an area by or assignable to a productive well. Undeveloped acreage is comprised of leased acres on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil and gas, regardless of whether such acres contain proved reserves.

The number of productive crude oil and natural gas wells in which we held an interest at 30 June 2010 was as follows:

	Crude Oil Wells		Natural Gas Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Australia	361	177	122	51	483	228
United States	48	17	14	5	62	22
Other	73	31	98	35	171	66
Total	482	225	234	91	716	316

Of the productive crude oil and natural gas wells, 28 (Net: 12) had multiple completions.

Developed and undeveloped acreage (including both leases and concessions) held at 30 June 2010 was as follows:

	Developed Acreage		Undeveloped Acreage	
Thousands of acres	Gross	Net	Gross	Net
Australia	2,093	840	4,788	2,325
United States	156	52	1,614	1,053
Other [(a)]	437	183	50,952	27,724
Total [(b)]	2,686	1,075	57,354	31,102

[(a)] Primarily consists of acreage in South Africa, Falklands, Colombia, Philippines and India.
[(b)] Approximately 19,743,000 gross acres (9,397,000 net acres) will expire in 2011, 8,530,000 gross acres (5,813,000 net acres) will expire in 2012 and 6,112,000 gross acres (4,480,000 net acres) will expire in 2013.