BHP Billiton Finance Limited

ABN 82 008 519 319

General Purpose Financial Report

for the year ended 30 June 2011

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Directors' Report

The directors present their report on BHP Billiton Finance Limited (the Company) for the year ended 30 June 2011 and the auditor's report thereon.

Directors
The following persons were directors of the Company at any time during or since the end of the financial year until the date of this report:

R. B. Bartlett
T.J. Boyle
N. Chadwick
A. J. Merlo
M. Tsaganos – resigned 8 October 2010

Principal activities
During the year the principal continuing activities of the Company were to raise and provide finance to related corporations. There have been no significant changes in the nature of the activities of the Company.

BHP Billiton Finance Limited is a Public Limited Company (Ltd by shares), the registered office is located at:

Level 25
BHP Billiton Centre
180 Lonsdale Street
Melbourne VIC 3000
Australia

Dividends
Details of dividends in respect the year ended 30 June 2011 are as follows:

	2011 US$'000	2010 US$'000
Dividends paid during the year		
Current year dividend	-	1,500,000

	2011 US cents	2010 US cents
Dividends paid during the year (per share)		
Current year dividend	-	0.9677

Review of operations and going concern
Information regarding the Company's financial position is detailed in the financial statements included in this financial report. The net profit for the financial year ended 30 June 2011 is US$266,094 thousand (2010 profit: US$2,683,137 thousand).

The directors, having made the appropriate enquiries, consider that the Company has adequate resources to continue operations for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial report.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Company during the year ended 30 June 2011.

Matters subsequent to the end of the financial year and likely developments
BHP Billiton Plc and its subsidiaries (the BHP Billiton Group Plc) and BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) operate together as a single economic entity and are referred to hereafter as the Group.

On 18 August 2011, the Company arranged a new unsecured 364-day multicurrency term and revolving credit facility for an amount of US$7.5 billion consisting of two tranches: a US$5 billion term loan and US$2.5 billion revolving credit facility.

Other than the matters outlined elsewhere in these financial statements, no matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:
(a) the Company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Company's state of affairs in future financial years.

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Insurance of officers
During the financial year the Company has insured against amounts that it may be liable to pay directors, secretaries or certain employees if applicable.

The insurance policy insures directors, secretaries and employees of the Company (if applicable) against certain liabilities (including legal costs) they may incur in carrying out their duties for the Company.

The premium is borne by the ultimate parent entity, BHP Billiton Limited, and is not allocated directly to the Company.
Directors' remuneration

The directors of the Company do not receive compensation in direct exchange for services rendered to the Company.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 32 and forms part of the directors' report for the year ended 30 June 2011.

Each person who held the office of director at the date the directors resolved to approve this director's report makes the following statement

- So far as the director is aware, there is no relevant audit information of which the external auditors are unaware; and
- The director has taken all steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the external auditors are aware of that information.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

R. B. Bartlett
Director

Dated: 16 September 2011

Income Statement

for the year ended 30 June 2011

	Notes	2011 US$'000	2010 US$'000
Guarantee fees		348	323
Profit on liquidation of subsidiary		-	674,814
Operating expenses excluding net finance expenses	3	1,461	(30,489)
Profit/(loss) from operations		1,809	644,648
Financial income	4	3,234,598	5,845,427
Financial expenses	4	(2,969,696)	(3,524,952)
Net finance income/(costs)	4	264,902	2,320,475
Profit/(loss) before taxation		266,711	2,965,123
Income tax (expense)/credit	5	(617)	(281,986)
Profit/(loss) after taxation		266,094	2,683,137
Attributable to members of BHP Billiton Finance Limited		266,094	2,683,137

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	2011 US$'000	2010 US$'000
Profit/(loss) after taxation		266,094	2,683,137
Other comprehensive income			
Cash flow hedges:			
(Losses)/gains taken to equity	13	-	(14,758)
Realised losses transferred to the income statement	13	-	2,417
Tax recognised within other comprehensive income	13	-	3,714
Total other comprehensive (loss)/income		-	(8,627)
Total comprehensive income/(loss)		266,094	2,674,510
Attributable to members of BHP Billiton Finance Limited		266,094	2,674,510

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2011

	Notes	2011 US$'000	2010 US$'000
ASSETS			
Current assets			
Cash and cash equivalents	16	43,410	41,221
Receivables	7	272,396	-
Other financial assets	8	17,903,819	38,088,026
Total current assets		18,219,625	38,129,247
Non-current assets			
Other financial assets	8	17,326,788	14,305,646
Total non-current assets		17,326,788	14,305,646
Total assets		35,546,413	52,434,893
LIABILITIES			
Current liabilities			
Payables	9	110,753	182,839
Interest bearing liabilities	10	19,708,867	35,119,913
Other financial liabilities	11	55,167	362,478
Total current liabilities		19,874,787	35,665,230
Non-current liabilities			
Interest bearing liabilities	10	9,893,738	11,737,213
Other financial liabilities	11	851,097	490,309
Deferred tax liabilities	5	712,641	594,085
Total non-current liabilities		11,457,476	12,821,607
Total liabilities		31,332,263	48,486,837
Net assets		4,214,150	3,948,056
EQUITY			
Share capital	12	783,370	783,370
Reserves	13	505	505
Retained earnings	14	3,430,275	3,164,181
Total equity		4,214,150	3,948,056

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2011

	Notes	2011 US$'000	2010 US$'000
Operating activities			
Profit/(loss) before taxation		**266,711**	2,965,123
Adjustments for:			
Profit on liquidation of subsidiary		**–**	(674,814)
Net foreign exchange losses/(gains)		**261,553**	58,434
Change in assets and liabilities:			
Payables		**(17,553)**	(12,059)
Net financial assets and liabilities		**398,823**	8,146
Cash generated from operations		**909,534**	2,344,830
Income taxes refunded/(paid)		**(208,991)**	109,904
Net operating cash flows		**700,543**	2,454,734
Investing activities			
Proceeds from liquidation of subsidiary		**–**	1,460,756
Loans and borrowings from/(to) related parties		**37,480,948**	33,964,386
Net investing cash flows		**37,480,948**	35,425,142
Financing activities			
Loans and borrowings to related parties		**(37,194,326)**	(36,687,126)
Repayment of borrowings – third parties		**(965,250)**	–
Dividends paid		**–**	(1,500,000)
Net financing cash flows		**(38,159,576)**	(38,187,126)
Net (decrease)/increase in cash and cash equivalents		**21,915**	(307,250)
Cash and cash equivalents, net of overdrafts, at beginning of year	16	**41,221**	345,347
Effect of foreign currency exchange rate changes on cash and cash equivalents		**(19,726)**	3,124
Cash and cash equivalents at end of year	16	**43,410**	41,221

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2011

	Attributable to members of BHP Billiton Finance Limited				
US$'000	Share capital	Capital redemption reserve	Hedging reserve – cash flow hedges	Retained earnings	Total
Balance as at 1 July 2010	783,370	505	–	3,164,181	**3,948,056**
Total comprehensive income	–	–	–	266,094	**266,094**
Balance as at 30 June 2011	**783,370**	**505**	**–**	**3,430,275**	**4,214,150**
Balance as at 1 July 2009	783,370	505	8,627	1,981,044	**2,773,546**
Total comprehensive income	–	–	(8,627)	2,683,137	**2,674,510**
Transactions with owners in their capacity as owners					
Dividends paid	–	–	–	(1,500,000)	**(1,500,000)**
Balance as at 30 June 2010	**783,370**	**505**	**–**	**3,164,181**	**3,948,056**

The accompanying notes form part of these financial statements.

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Notes to Financial Statements

1 Accounting policies

The principal accounting policies adopted in the preparation of this general purpose financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BHP Billiton Finance Limited (hereafter referred to as the Company) is a wholly owned subsidiary of BHP Billiton Limited. BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) and BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) operate together as a single economic entity and are referred to hereafter as the Group. The nature of the operations and principal activities of the Company are described in the Directors' report.

Basis of preparation
This general purpose financial report for the year ended 30 June 2011 has been prepared in accordance with the requirements of the Australian Corporations Act 2001 and with:

- Australian Accounting Standards, being Australian equivalents to International Financial Reporting Standards and interpretations as issued by the Australian Accounting Standards Board (AASB) effective as of 30 June 2011
- International Financial Reporting Standards and interpretations as adopted by the European Union (EU) as of 30 June 2011
- International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board and interpretations effective as of 30 June 2011

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

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

- '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' include a collection of minor amendments to IFRS. These amendments include a requirement to classify expenditures which do not result in a recognised asset as a cash flow from operating activities.

- Amendments to IFRS 2/AASB 2 'Share-based Payment'. These amendments clarify the accounting for group cash settled share-based payment transactions;

The adoption of these standards did not have a material impact on the financial statements of the Company.

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

- IFRS 9/AASB 9 'Financial Instruments' modifies the classification and measurement of certain classes of financial assets and liabilities;

- IFRS 13/AASB 13 'Fair Value Measurement' replaces fair value measurement guidance in individual IFRSs with a single source of fair value measurement guidance;

- IFRS 10/AASB 10 'Consolidated Financial Statements' is a replacement of IAS 27/AASB 127 'Consolidations'. The revised standard will introduce a new, single definition of control which may therefore impact which entities are consolidated into the Group.

These standards and interpretations are available for early adoption in the 30 June 2011 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 Company 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.

1 Accounting policies continued

Basis of measurement

This general purpose financial report is drawn up on the basis of historical cost principles, except for derivative financial instruments and where applicable certain other financial assets which are carried at fair value.

Currency of presentation

All amounts are expressed in thousands of US dollars, unless otherwise stated, which is the functional currency of the Company.

Change in accounting policy

The accounting policies have been consistently applied by the Company 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.

Foreign currencies

The Company's presentation currency and functional currency is the US dollar.

Transactions denominated in foreign currencies (currencies other than the functional currency) are recorded using the exchange rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at year end and the gains or losses on retranslation are included in the income statement.

Financial income and expenses

Financial income comprises where applicable interest income on funds invested, net fair value changes on liabilities which are subject to fair value hedge accounting and related hedging derivatives, and exchange differences on net debt. Interest income is recognised as it accrues in the income statement using the applicable effective interest rate.

Financial expense comprises where applicable interest expense on borrowings, unwinding of the discount on borrowings, net fair value changes on liabilities which are subject to fair value hedge accounting and related hedging derivatives, exchange differences on net debt and impairment losses recognised on financial assets. All borrowing costs are recognised through the income statement using the effective interest rate method for external borrowings and the applicable effective interest rate for other borrowings.

Foreign currency gains and losses are reported on a net basis.

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 temporary differences relating to investments in subsidiaries, jointly controlled entities and associates to the extent that the Company 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 Company has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis.

1 Accounting policies continued

Tax consolidation

The Company is part of an Australian tax consolidated group, whereby members are taxed as a single entity. The head entity within the tax consolidated group is BHP Billiton Limited. The entities within the tax consolidated group have entered into a tax sharing agreement and a tax contribution agreement with the head entity. The accounting for taxes of each entity in the consolidated tax group are determined and recognised as if it continued to be a separately taxable entity in its own right. This method of accounting for taxes requires the calculation of income tax expense as if the entity had not been a member of the tax consolidated group. Under the tax contribution agreement the entities in the tax consolidated group agree to pay a tax equivalent amount to the head entity for current income tax payable or to receive a tax equivalent amount from the head entity for current income tax receivable and/or tax losses. The tax sharing agreement provides the method of allocating tax liabilities should the head entity default on its tax payment obligations.

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

Financial instruments

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, 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 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.

The Company assesses at each balance date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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 Company'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. Cross currency interest rate swaps and Interest rate swaps held for hedging purposes are generally accounted for as fair value hedges.

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.

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.

1 Accounting policies continued

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.

Application of critical accounting policies and estimates

The preparation of the Company's financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenue and expenses during the periods presented therein. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements and estimates on historical experience and on various other 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 Company has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Taxation

The Company'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.

Rounding of amounts

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

Comparatives

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

2 Exceptional items

Year ended 30 June 2011	Gross US$000	Tax US$000	Net US$000
Exceptional items by category			
Write off of Deferred Tax Assets	–	(152,260)	(152,260)

Year ended 30 June 2010	Gross US$000	Tax US$000	Net US$000
Exceptional items by category			
Release of income tax provisions	–	369,222	369,222

Write off of Deferred Tax Assets
Consistent with the functional currency of the Group's operations, eligible Australian entities elected to adopt a US dollar tax functional currency from 1 July 2011. As a result, a net deferred tax asset relating to certain US dollar denominated financial arrangements has been derecognised, resulting in a debit to income tax expense of US$152,260 thousand.

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 Beenup and Boodarie Iron. BHP Billiton lodged objections and was successful on all counts in the Federal Court and the Full Federal Court.
In FY 2010, the ATO sought special leave to appeal to the High Court in relation to the Beenup bad debt disallowance. Special leave was denied. Special leave was not sought by the ATO for the Boodarie Iron bad debt disallowance. These outcomes have resulted in a full release of the Company's income tax provisions in regard to these assessments.

3 Operating expenses

	2011 US$'000	2010 US$'000
External services	–	59
Net foreign exchange (gains) / losses	(27,542)	1,871
Guarantee fees	17,222	21,829
Management Fees	5,558	2,560
All other operating expenses	3,303	4,170
Total operating (income) / expenses	(1,461)	30,489

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4 Net finance income/(costs)

	2011 US$'000	2010 US$'000
Financial income		
Interest received/receivable from non-related parties	2,057	1,580
Interest received/receivable from related parties	2,496,365	4,890,041
Fair value change on hedged loans	–	922,563
Fair value change on derivatives held for related party hedging	736,176	31,243
	3,234,598	5,845,427
Financial expenses		
Interest and finance charges paid/payable to non-related parties	(105,836)	(127,170)
Interest and finance charges paid/payable to related parties	(1,816,325)	(2,475,637)
Fair value change on hedged loans	(758,440)	–
Fair value change on related hedging derivatives	–	(859,320)
Fair value change on derivatives held for related party hedging	–	(6,262)
Exchange differences on related party balances	(289,095)	(56,563)
	(2,969,696)	(3,524,952)
Net finance income/(costs)	264,902	2,320,475

5 Income tax and deferred tax

	2011 US$'000	2010 US$'000
Income tax expense/(credit) comprises:		
Current tax (credit)/expense	(118,338)	(274,416)
Deferred tax expense/(credit)	118,955	556,402
	617	281,986

The reconciliation of the Company's income tax expense/(credit) is as follows:

	2011 US$'000	2010 US$'000
Profit/(loss) before income tax expense	266,711	2,965,123
Tax at the Australian tax rate of 30% (2010 - 30%)	80,013	889,537
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Foreign exchange gains and losses	(212,944)	(15,887)
Recognition of prior year tax losses	–	(13,285)
Prior year over provision	(18,712)	(375,935)
Permanent difference	–	(202,444)
Other [a]	152,260	–
Total income tax expense/(credit)	617	281,986

[a] Includes exceptional items of US$152,260 thousand (2010: US$ nil) for the write off of deferred tax assets following the election to adopt a USD tax functional currency. *[Refer to note 2: Exceptional Items].*

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

	2011 US$'000	2010 US$'000
Net deferred tax liability		
Opening balance	(594,085)	(41,397)
Income tax (debit)/credit recorded in the income statement	(118,955)	(556,402)
Income tax reversal/(charge) recorded directly in equity [b]	399	3,714
Closing balance	(712,641)	(594,085)

[b] The amounts charged directly to other comprehensive income relate to deferred tax relating to fair value gains/losses on effective cash flow hedges.

The composition of the Company'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:

	Net deferred tax liability		(Charged)/credited to the income statement	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Type of temporary difference				
Deferred charges	–	15	(15)	3
Foreign exchange losses	(690,760)	(563,173)	(127,587)	(436,749)
Prepayments	(1,154)	486	(1,640)	(103,532)
Accrued Interest	(20,727)	(31,413)	10,287	(16,124)
Total	(712,641)	(594,085)	(118,955)	(556,402)

At 30 June 2011, the Company had capital tax losses with a tax benefit of US$235,323 thousand (2010: US$65,757 thousand) which are not recognised as deferred tax assets.

	2011 US$'000	2010 US$'000
Unrecognised deferred tax assets		
Unrecognised deferred tax assets		
Capital tax losses	235,323	65,757

The Company recognises the benefit of tax losses only to the extent of anticipated future taxable capital gains in relevant jurisdictions. The gross amount of tax losses carried forward that have not been tax effected expire as follows:

	2011 US$'000	2010 US$'000
Year of expiry		
Unlimited	784,410	219,190

6 Dividends

Dividends paid as detailed below are all in respect of the ultimate parent entity, BHP Billiton Limited.

	2011 US$'000	2010 US$'000
Dividends paid during the year		
Current year dividend	–	1,500,000

	2011 US cents	2010 US cents
Dividends paid during the year (per share)		
Current year dividend	–	0.9677

7 Receivables

	2011 US$'000	2010 US$'000
Current		
Income tax receivable from ultimate parent on behalf of the Company	272,396	-
Total current receivables	272,396	-

8 Other financial assets

	2011 US$'000	2010 US$'000
Current		
At fair value		
Cross currency and interest rate swaps – related parties	20,850	9,907
Forward exchange contracts – related parties	–	3,865
	20,850	13,772
At amortised cost		
Capitalised Fees	(4,859)	-
Receivables from ultimate parent entity – interest bearing	5,603,120	16,397,499
Receivables from related parties – interest bearing	12,284,707	21,676,755
	17,882,969	38,074,254
Total current other financial assets	17,903,819	38,088,026
Non-current		
At fair value		
Cross currency and interest rate swaps – related parties	281,161	168,331
	281,161	168,331
At amortised cost		
Receivables from ultimate parent entity – interest bearing	5,562,084	5,500,000
Receivables from related parties – interest bearing	11,483,543	8,637,315
	17,045,627	14,137,315
Total non-current other financial assets	17,326,788	14,305,646

9 Payables

	2011 US$'000	2010 US$'000
Current		
Income tax payable by ultimate parent on behalf of the Company	–	54,543
Payables – related parties	54,920	76,007
Payables – accrued interest	55,833	52,298
Total current payables	110,753	182,848

10 Interest bearing liabilities

	2011 US$'000	2010 US$'000
Current		
Notes and debentures	1,812,493	812,329
Loans from ultimate parent entity	–	12,198,242
Loans from other related parties	17,896,374	22,109,342
Total current interest bearing liabilities	19,708,867	35,119,913
Non-current		
Notes and debentures	2,320,388	3,538,863
Loans from ultimate parent entity	1,923,350	1,923,350
Loans from related parties	5,650,000	6,275,000
Total non-current interest bearing liabilities	9,893,738	11,737,213

11 Other financial liabilities

	2011 US$'000	2010 US$'000
Current		
At fair value		
Cross currency and interest rate swaps – related parties	54,972	362,478
Forward exchange contracts – related parties	195	–
Total current other financial liabilities	55,167	362,478
Non-current		
At fair value		
Cross currency and interest rate swaps – related parties	851,097	490,309
Total non-current other financial liabilities	851,097	490,309

12 Share capital

	2011 Shares	2010 Shares	2011 US$'000	2010 US$'000
Share capital				
Ordinary shares fully paid	1,550,000,002	1,550,000,002	783,370	783,370
Closing number of shares	1,550,000,002	1,550,000,002	783,370	783,370

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

13 Reserves

	2011 US$'000	2010 US$'000
Capital redemption reserve		
Opening balance	505	505
Closing balance	505	505

Capital redemption reserve represents the redemption of share capital from shareholders, in relation to redeemable preference shares.

	2011 US$'000	2010 US$'000
Hedging reserve – cash flow hedges		
Opening balance	–	8,627
Net (loss)/gain on cash flow hedges	–	(14,758)
Realised losses transferred to the income statement	–	2,417
Deferred tax relating to cash flow hedges	–	3,714
Total other comprehensive (loss)/income	–	(8,627)
Closing balance	–	–

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.
During the year ended 30 June 2010 the cash flow hedge relationships were 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.

14 Retained earnings

	2011 US$'000	2010 US$'000
Opening balance	3,164,181	1,981,044
Profit/(loss) attributable to members of BHP Billiton Finance Limited	266,094	2,683,137
Total comprehensive income for the year	3,430,275	4,664,181
Dividends paid	-	(1,500,000)
Retained earnings closing balance	3,430,275	3,164,181

15 Financial risk management

Financial risk management strategy

The Company is a wholly owned subsidiary of the Group and hence the Company's key financial risks are managed as part of the Group's financial risk management strategy.

The financial risks arising from the 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 the portfolio 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 Company's activities expose it to market risks associated with movements in interest rates and foreign currencies. Under the Group's risk management strategy outlined above, the Company seeks to achieve financing costs on a floating basis. This strategy gives rise to a risk of variability in earnings which is measured under the Group's CFaR framework.

In executing the Group's strategy, financial instruments are potentially employed in three 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

15 Financial risk management continued

Activity	Key risk management processes
2. Hedging of debt instruments Where debt is issued in a currency other than the US dollar currency and / or at a fixed interest rate, fair value hedges may be executed as an economic hedge 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 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

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

The majority of the Company's external debt is raised under borrowing programs which are centrally managed. The Company has entered into interest rate swaps, forward exchange contracts and cross currency interest rate swaps to convert centrally managed fixed rate borrowings into US dollar floating interest rate exposure. As at 30 June 2011, there are no external fixed interest rate borrowings that have not been swapped to floating (2010: nil). The Company holds US $1,523,350 thousand (2010: US$3,723,359 thousand) of centrally managed related party fixed interest borrowings that have not been swapped to floating interest rates. The Company's earnings are sensitive to changes in interest rates on the floating interest rate component of the Company's net borrowings.

15 Financial risk management continued

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

	Fair value	
	2011 US$'000	2010 US$'000
Interest rate swaps		
US dollar swaps		
Pay floating/receive fixed		
No later than one year	20,850	–
Later than one year but not later than two years	39,198	39,170
Later than two years but not later than five years	73,107	50,284
Later than five years	–	31,281
Total fair value of interest rate swaps	133,155	120,735
Cross currency interest rate swaps		
Euro to US dollar swaps		
Pay fixed/receive fixed		
Later than two years but not later than five years	33,745	–
Later than five years	–	(174,322)
Pay floating/receive fixed		
Not later than one year	–	9,907
Later than two years but not later than five years	134,871	17,151
Total fair value of cross currency interest rate swaps	169,436	(147,264)
Forward exchange contracts		
Euro to US dollar foreign exchange contracts		
No later than one year	(54,317)	–
Not later than one year	–	(282,463)
Total fair value of foreign exchange contracts	(54,317)	(282,463)
Cross Currency and Interest Rate Swaps - Related Parties		
No later than one year	622	(80,015)
Later than one year but not later than two years	(524,890)	1,872
Later than two years but not later than five years	(324,003)	(213,515)
Later than five years	(3,241)	(73,902)
Total fair value cross currency and interest rate swaps - Relates Parties	(851,513)	(365,560)

Based on the net debt position as at 30 June 2011, taking into account interest rate swaps and cross currency interest rate swaps, it is estimated that a one percentage point increase in the US LIBOR interest rate will decrease the Company's profit after taxation and equity by US$9,879 thousand (2010: US$18,366 thousand). This assumes that the change in interest rates is effective from the beginning of the financial year and the fixed/floating mix and balances is constant over the year. However, interest rates and the net debt profile of the Company 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 the Company and as a result currency exposure arises from transactions and balances in currencies other than the US dollar. The Company's potential currency exposures comprise:

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

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

15 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 the Company are periodically restated to US dollar equivalents, and the associated gain or loss is taken to the income statement.

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 Company.

	Net financial assets/(liabilities) by currency of denomination	
	2011 US$'000	2010 US$'000
Australian dollars	(2,310,488)	(1,672,679)
Other	(22,008)	(13,844)
Total	(2,332,496)	(1,668,523)

The principal non-functional currency to which the Company is exposed to is the Australian dollar. Based on the Company's net financial assets and liabilities as at 30 June 2011, a strengthening of the US dollar against the Australian dollar, with all other variables held constant, would increase/(decrease) profit after taxation and equity as follows:

Currency movement	2011 US$'000		2010 US$'000	
	Profit after taxation	Equity	Profit after taxation	Equity
1 cent movement in Australian dollar	15,111	15,111	13,791	13,791

The Company'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 of the Group's operations in currencies other than their functional currency. These currency risks are managed as part of the Group's Portfolio Risk Management Strategy and within the overall CFaR limit. When required under this strategy the Company enters into forward exchange contracts.

The net fair value of forward exchange contracts outstanding to manage short-term foreign currency cash flows relating to operating activities is a liability of US$195 thousand (2010: an asset of US$3,865 thousand).

Liquidity risk

The Company's liquidity risk arises from the possibility that it may not be able to settle or meet its obligations as they fall due and is managed as part of the Group's Portfolio Risk Management Strategy 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 Company only uses derivatives in highly liquid markets.

The Group provides guarantees over external borrowings issued by the Company. As a result, the Group's credit profile and policy is of relevance to the Company. During the year ended 30 June 2011, 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.

15 Financial risk management continued

Standby arrangements and unused credit facilities

Details of major standby and support arrangements are as follows:

BHP Billiton Finance Limited	Facility available 2011 US$'000	Used 2011 US$'000	Unused 2011 US$'000	Facility available 2010 US$'000	Used 2010 US$'000	Unused 2010 US$'000
Revolving credit facility [a]	4,000,000	–	4,000,000	3,000,000	–	3,000,000
Other facilities [b]	61,000	–	61,000	58,000	–	58,000
Total financing facilities	4,061,000	–	4,061,000	3,058,000	–	3,058,000

(a) The multi-currency revolving credit facility is available for general corporate purposes and matures in December 2015. 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.
(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 Company's financial liabilities based on the contractual amounts, taking into account the derivatives related to debt, is as follows:

2011	Bank loans, debentures and other loans US$'000	Expected future interest payments US$'000	Derivatives related to fair value hedging US$'000	Other Derivatives US$'000	Other financial liabilities US$'000	Total US$'000
Due for payment:						
In one year or less or on demand	1,808,375	682,366	38,752	114,321	18,007,127	20,650,941
In more than one year but not more than two years	–	533,787	–	622,939	2,000,000	3,156,726
In more than two years but not more than three years	868,020	455,587	–	45,276	1,700,000	3,068,883
In more than three years but not more than four years	–	328,361	–	38,161	–	366,522
In more than four years but not more than five years	1,446,700	308,674	–	335,198	1,050,000	3,140,572
In more than five years	–	589,341	–	2,710	2,823,350	3,415,401
	4,123,095	2,898,116	38,752	1,158,605	25,580,477	33,799,045
Carrying amount	4,132,881	–	53,349	852,915	25,580,477	30,619,622

2010	Bank loans, debentures and other loans US$'000	Expected future interest payments US$'000	Derivatives related to fair value hedging US$'000	Other Derivatives US$'000	Other financial liabilities US$'000	Total US$'000
Due for payment:						
In one year or less or on demand	793,033	502,507	(45,443)	167,853	34,490,423	35,908,373
In more than one year but not more than two years	1,525,063	503,284	345,868	69,856	625,000	3,069,071
In more than two years but not more than three years	–	434,063	10,347	287,400	2,000,000	2,731,810
In more than three years but not more than four years	732,030	390,004	10,347	28,925	1,700,000	2,861,306
In more than four years but not more than five years	–	269,348	10,836	23,489	–	303,673
In more than five years	1,220,050	795,265	142,307	107,867	3,873,350	6,138,839
	4,270,176	2,894,471	474,262	685,390	42,688,773	51,013,072
Carrying amount	4,351,192	–	456,788	395,999	42,688,773	47,892,752

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 Company also holds derivatives related to net debt that are expected to generate cash inflows, which are classified as other financial assets (refer to note 8). These contracts are excluded from the table above.

15 Financial risk management continued

Credit risk

Credit risk arises from the non-performance by counterparties of their contractual financial obligations towards the Company. Any credit risk to which the Company may be exposed is managed as part of the Group's credit risk management.

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 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.

The Company's receivables are primarily held with other entities within the Group. There was no significant impairment of receivables as at 30 June 2011 (2010: nil).

No other financial assets were past due or impaired at 30 June 2011 (2010: nil).

The Company has receivables from related entities across different geographical areas and industries, hence is subject to the following risks:

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 its 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 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.

15 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 Company'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. As at 30 June 2011, there are no centrally managed external fixed interest rate borrowings that have not been swapped to floating (2010: nil). In the case of US$5,338,423 thousand (2010: US$3,119,492 thousand) of centrally managed fixed interest rate related party loans and receivables, the fair value at 30 June 2011 is US$5,678,541 thousand (2010: US$3,241,947 thousand).

Financial assets and liabilities

2011	Note	Loans and receivables US$'000	Held at fair value through profit or loss US$'000	Other financial liabilities at amortised cost US$'000	Total US$'000
Financial assets					
Cash and cash equivalents	16	43,410	–	–	43,410
Receivables – ultimate parent entity	8	11,165,204	–	–	11,165,204
Receivables – related parties	8	23,763,392	–	–	23,763,392
Cross currency and interest rate swaps – related parties	8	–	302,011	–	302,011
Total financial assets		34,972,006	302,011	–	35,274,017
Non-financial assets					272,396
Total assets					35,546,413
Financial liabilities					
Payables/loans – ultimate parent entity	10	–	–	(1,923,350)	(1,923,350)
Payables/loans – related parties	9, 10	–	–	(23,601,294)	(23,601,294)
Payables – accrued interest	9	–	–	(55,833)	(55,833)
Notes and debentures [(a)]	10	–	–	(4,132,881)	(4,132,881)
Cross currency and interest rate swaps – related parties	11	–	(906,069)	–	(906,069)
Forward exchange contracts – related parties	11	–	(195)	–	(195)
Total financial liabilities		–	(906,264)	(29,713,358)	(30,619,622)
Non-financial liabilities					(712,641)
Total liabilities					(31,332,263)

(a) Amount comprises centrally managed fixed rate debt swapped to floating rate under fair value hedges, and is consequently fair valued for interest rate risk.

15 Financial risk management continued

Financial assets and liabilities continued

2010	Note	Loans and receivables US$'000	Held at fair value through profit or loss US$'000	Other financial liabilities at amortised cost US$'000	Total US$'000
Financial assets					
Cash and cash equivalents	15	41,221	–	–	41,221
Receivables – ultimate parent entity	7	21,897,499	–	–	21,897,499
Receivables – related parties	7	30,314,070	–	–	30,314,070
Cross currency and interest rate swaps – related parties	7	–	178,238	–	178,238
Forward exchange contracts – related parties	7	–	3,865	–	3,865
Total financial assets		52,252,790	182,103	–	52,434,893
Non-financial assets					–
Total assets					52,434,893
Financial liabilities					
Payables/loans – ultimate parent entity	8, 9	–	–	(14,176,126)	(14,176,126)
Payables/loans – related parties	8, 9	–	–	(28,460,349)	(28,460,349)
Payables – accrued interest	8	–	–	(52,298)	(52,298)
Notes and debentures [a]	9	–	–	(4,351,192)	(4,351,192)
Cross currency and interest rate swaps – related parties	10	–	(852,787)	–	(852,787)
Total financial liabilities		–	(852,787)	(47,039,965)	(47,892,752)
Non-financial liabilities					(594,085)
Total liabilities					(48,486,837)

(a) Amount comprises 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 Company'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 Company's financial assets and liabilities carried at fair value with reference to the nature of valuation inputs used.

2011	Level 1 [a] US$000	Level 2 [b] US$000	Level 3 [c] US$000	Total US$000
Financial assets				
Cross currency and interest rate swaps – related parties	–	302,011	–	302,011
Total	–	302,011	–	302,011
Financial liabilities				
Cross currency and interest rate swaps – related parties	–	(906,069)	–	(906,069)
Forward exchange contracts – related parties	–	(195)	–	(195)
Total	–	(906,264)	–	(906,264)

(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.

2010	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Financial assets				
Cross currency and interest rate swaps – related parties	–	178,238	–	178,238
Forward exchange contracts – related parties	–	3,865	–	3,865
Total	–	182,103	–	182,103
Financial liabilities				
Cross currency and interest rate swaps – related parties	–	(852,787)	–	(852,787)
Total	–	(852,787)	–	(852,787)

15 Financial risk management continued

Capital management
The Company's capital is managed as part of the Group's overall Capital Management strategy.

The Group's strategy is focused on owning and operating large, long-life, low-cost, expandable, upstream 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'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 firstly with its progressive dividends policy and thereafter capital management (for example share buy-backs)

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

16 Cash and cash equivalents

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

	2011 US$'000	2010 US$'000
Cash and cash equivalents comprises:		
Cash	43,410	41,221
Total cash and cash equivalents	43,410	41,221

17 Related party transactions

Ultimate parent entity
The ultimate parent entity of the Company is BHP Billiton Limited which at 30 June 2011 owns 100% (2010 – 100%) of the issued ordinary shares of the Company.

Subsidiaries
The Company hold no interest in subsidiaries as per 30 June 2011.

Transactions with related parties

	2011 US$'000	2010 US$'000
Transactions with related parties		
Dividends paid to ultimate parent entity	–	1,500,000
Guarantee fee income (a)	(348)	(323)
Guarantee fee expense (b)	17,222	21,829

(a) Guarantee fee income is in respect of bank guarantees provided to related parties.
(b) Guarantee fee expense is in respect of BHP Billiton Limited guaranteeing notes and debentures issued by the Company.

Outstanding balances arising from sales/purchases of goods and services with related parties

	2011 US$'000	2010 US$'000
Outstanding balances with related parties		
Accrued interest payable to related parties (a)	(54,914)	(72,542)
Income tax receivable from (payable by) ultimate parent on behalf of the Company	272,396	(54,534)
Withholding tax payable by ultimate parent on behalf of the Company	(1,437)	(3,465)
Derivative contracts – related party (b)	(604,253)	(670,684)

(a) Accrued interest is in respect of related party loans for which interest payable has not been capitalised.
(b) Derivative contracts are cross currency swaps and forward exchange contracts taken with related parties to hedge foreign exchange exposure on related party funding structures and to fund AUD operating costs. These are in fair value hedge relationships or not hedge accounted and all fair value movement are taken to the income statement.

17 Related party transactions continued

Loans to/(from) related parties

	2011 US$'000	2010 US$'000
Loans to related parties		
Beginning of the year	30,314,069	68,965,497
Loans advanced	13,578,061	15,175,487
Loan repayment received	(22,492,271)	(59,727,630)
Interest charged	(342,561)	(52,150)
Interest received	1,102,312	4,039,715
Foreign exchange revaluation	1,608,641	1,913,153
End of year	23,768,251	30,314,069
Loans from subsidiary		
Beginning of the year	–	(2,642)
Loans received	–	2,850
Interest charged	–	(84)
Foreign exchange revaluation	–	(124)
End of year	–	–
Loans from and to ultimate parent		
Beginning of the year	7,775,907	(3,463,562)
Loans received	17,863,446	11,698,9020
Loan repayment made	(18,806,254)	(154,982)
Interest charged	(563,798)	(448,573)
Interest paid	972,184	479,116
Foreign exchange revaluation	2,000,369	(334,994)
End of year	9,241,854	7,775,907
Loans from related parties		
Beginning of the year	(28,384,342)	(58,627,149)
Loans received	20,669,933	30,258,686
Loan repayment made	(11,696,839)	3,047,169
Interest charged	(1,023,019)	(1,607,915)
Interest paid	502,218	668
Foreign exchange revaluation	(3,614,324)	(1,455,801)
End of year	(23,546,374)	(28,384,342)
Total net loans to related parties	9,463,731	9,705,636

Terms and conditions

Sales to and purchases from related parties for 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.

18 Segment reporting

The Company operates in a single segment, being financial services in Australia. The segment information considered by the chief operating decision maker (CODM) is consistent with the Company's profit or loss as recorded in the Company's Income Statement. The Company's finance income is principally derived from the provision of finance to related corporations.

19 Subsequent events

On 18 August 2011, the Company arranged a new unsecured 364-day multicurrency term and revolving credit facility for an amount of US$7.5 billion consisting of two tranches: a US$5 billion term loan and US$2.5 billion revolving credit facility.

Directors' Declaration

Directors' Declaration

1 In the opinion of the directors of BHP Billiton Finance Limited (the Company):

(a) the financial statements and notes that are contained on pages 5 to 29 are in accordance with the Australian Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2011 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 Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

R. B. Bartlett
Director

Dated at Melbourne this 16th day of September 2011

KPMG

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

To: the directors of BHP Billiton Finance Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2011, there have been:

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

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

KPMG

KPMG

Chris Sargent
Partner

Melbourne

16 September 2011

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

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

Report on the financial report

We have audited the accompanying financial report of BHP Billiton Finance Limited (the Company), which comprises the balance sheet as at 30 June 2011, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion.

In our opinion:

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

KPMG

KPMG

Chris Sargent
Partner

Melbourne

16 September 2011