

BHP Billiton Group Limited

Directors' report and financial statements

30 June 2004

Registered number 3298904



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Directors' report and financial statements

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Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2004.

Principal activity

The principal activity of the Company remains the holding of investments. The Company is also responsible for the stewardship of the BHP Billiton Plc subsidiaries. The Company carries out these activities through service contracts with a number of BHP Billiton group companies.

Results and activities

The Company's profit on ordinary activities after taxation for the year amounted to USD 632 902 000 (2003 : USD 156 125 000). An interim dividend of USD 625 000 000 was paid and declared during the year (2003 : USD 263 476 000).

Post Balance Sheet event

A Preference dividend of USD 95 425 was declared in respect of 5% Preference shares on 22 July 2004 and paid on 22 July 2004 (2003 : USD 95 425).

Directors and Directors' interests

The directors who held office during the period were as follows:

E A Hobley
P S Aiken
W B Smith

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company. Directors' interests in the shares of the parent company, BHP Billiton Plc, were as follows:

	30 June 2004		30 June 2003	
	Shares	Share Schemes	Shares	Share Schemes
E A Hobley	-	16 636	-	6 857

An award of rights over shares under the BHP Billiton Plc Group Incentive Scheme was granted on 21 November 2003. There were no exercises during the year. Details of each of the BHP Billiton Plc Share Schemes in operation can be found in their report and accounts and copies can be obtained by contacting the registered office of that company.

At 30 June 2004, Mr Smith held 577 ordinary shares in BHP Billiton Limited (2003 : 577 shares) and 130 793 Options (2003 : 125 679 Options).

At 30 June 2004, Mr Aiken held 356 422 ordinary shares in BHP Billiton Limited (2003 : 133 801 shares) and 429 604 Options (2003 : 928 870 Options).

An award of shares under BHP Billiton Limited Group Incentive Scheme was granted on 21 November 2003 to Mr Smith and Mr Aiken. During the year Mr Smith exercised 24 782 Options and Mr Aiken exercised 638 896 Options.

Mr Aiken's share interests and Mr Smith's share interests in BHP Billiton Limited are not required to be disclosed in this Company's Report and Accounts but in the interest of good corporate governance, as a result of the dual listed companies merger between BHP Billiton Plc and BHP Billiton Limited, the Company has taken the lead from BHP Billiton Plc on disclosure. Details of the BHP Billiton Limited Share Schemes can be found in the report and accounts of that company and copies can be obtained by contacting the registered office of BHP Billiton Group Limited

Directors' report *(continued)*

Auditors

Elective resolutions to dispense with the holding of Annual General Meetings, the lodging of accounts before the Company in General Meeting and the appointment of auditors annually were passed on 12 May 1998. On 26 June 2003, PricewaterhouseCoopers resigned as joint auditors of the Company. KPMG Audit Plc will therefore be deemed to have been reappointed at the end of 28 days beginning with the day on which copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment is brought to an end.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board



W B Smith
Director

Neathouse Place
London
SW1V 1BH

2 December 2004

Independent auditors' report to the members of BHP Billiton Group Limited

We have audited the financial statements on pages 5 to 11.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y8BB

3 December 2004

Profit and loss account
for the year ended 30 June 2004

USD'000	Note	<u>2004</u>	<u>2003</u>
Other operating income		54	(14)
Other operating expenses		<u>(61 551)</u>	<u>(79 853)</u>
Operating loss		(61 497)	(79 867)
Income from shares in group undertakings	3	695 000	235 496
Interest receivable and similar income	4	11	497
Interest payable and similar charges	5	<u>(612)</u>	<u>(1)</u>
Profit on ordinary activities before taxation	6	632 902	156 125
Tax on profit on ordinary activities	7	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		632 902	156 125
Dividends payable	8	<u>(625 095)</u>	<u>(263 571)</u>
Retained profit/(loss) for the year		<u>7 807</u>	<u>(107 446)</u>

The above results are from continuing operations.

There is no difference between the profit before taxation and the retained profit for the year, and their historical equivalents.

Statement of recognised gains and losses

The Company made no other gains or losses in the year other than those shown in the profit and loss account; therefore no separate statement has been prepared.

Balance sheet
as at 30 June 2004

USD'000	Note	<u>2004</u>	<u>2003</u>
Fixed assets			
Investments in subsidiary companies	9	<u>1 844 244</u>	<u>1 744 244</u>
		1 844 244	1 744 244
Current assets			
Debtors	10	8 273	235 496
Creditors : Amounts falling due within one year	11	<u>(41 955)</u>	<u>(276 985)</u>
Net current liabilities		<u>(33 682)</u>	<u>(41 489)</u>
Net Assets		<u>1 810 562</u>	<u>1 702 755</u>
Capital and reserves			
Called up share capital	12	108 911	8 911
Share premium account	13	1 693 319	1 693 319
Profit and loss account	13	<u>8 332</u>	<u>525</u>
Equity shareholders' funds		<u>1 810 562</u>	<u>1 702 755</u>

These financial statements were approved by the Board of Directors on 2 December 2004 and were signed on its behalf by:



W B Smith
Director

Cash flow statement

BHP Billiton Group Limited is a wholly owned subsidiary and is therefore exempt from the preparation of its own cash flow statement.

Reconciliation of movement in shareholders' funds *for the year ended 30 June 2004*

USD'000	<u>2004</u>	<u>2003</u>
Profit/(Loss) for the financial year	7 807	(107 446)
Shares issued during the year	<u>100 000</u>	<u>-</u>
Net addition in shareholders' funds	107 807	(107 446)
Opening shareholders' funds	<u>1 702 755</u>	<u>1 810 201</u>
Closing shareholders' funds	<u>1 810 562</u>	<u>1 702 755</u>

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Going concern basis

The financial statements have been prepared on a going concern basis. The Company had current liabilities in excess of current assets by USD 33 682 000 at 30 June 2004. Although no formal letter of support has been received, the Directors believe that other Group companies will continue supporting the Company and make available sufficient funds to enable it to trade in the foreseeable future.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules.

Fixed assets

Investments are stated at cost less provision for permanent diminution in value.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

The Company complies with FRS 19 "Deferred Tax" which requires the company to fully provide for deferred corporation tax on all timing differences which have arisen but have not reversed at the balance sheet date and which could give rise to an obligation to pay more or less tax in the future.

Related party disclosures

As the Company is a wholly owned subsidiary of BHP Billiton Plc, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of BHP Billiton Plc, within which the Company is included, can be obtained from the address given in note 14.

Foreign currencies

The Company's reporting currency is US Dollars as this is the dominant currency in which the Company operates. Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2. Remuneration of Directors

No remuneration was paid to the Directors of the Company during the year (2003: USD nil).

	<u>2004</u>	<u>2003</u>
USD'000		
3. Income from shares in group undertakings		
Dividends from subsidiary companies	<u>695 000</u>	<u>235 496</u>

Notes (continued)

	<u>2004</u>	<u>2003</u>
USD'000		
4. Interest receivable and similar income		
Other	<u>11</u>	<u>497</u>
	<u>2004</u>	<u>2003</u>
USD'000		
5. Interest payable and similar charges		
On bank loans and overdrafts	<u>612</u>	<u>1</u>
	<u>2004</u>	<u>2003</u>
USD'000		
6. Profit on ordinary activities before tax		
Profit on ordinary activities before tax is stated after charging:		
Auditors' remuneration - Audit	1	9
(Profit)/Loss on foreign exchange	(54)	14
Service fees	5 083	497
	<u>2004</u>	<u>2003</u>
USD'000		
7. Tax on profit on ordinary activities		
Factors affecting the tax charge for the year		
Profit on ordinary activities before tax	632 902	156 125
- Tax thereon at 30% (2003 : 30%)	189 871	46 838
- Exempt income (dividends from UK companies)	(208 500)	(70 649)
- Group relief (utilised)/available for surrender	<u>18 629</u>	<u>23 811</u>
Tax provision	<u>-</u>	<u>-</u>

United Kingdom taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income and Corporation Taxes Act 1988. No corporation tax has been provided for because other companies in the group have undertaken to surrender free group relief to the extent it is required.

There are no timing differences that result in a provision for deferred tax for either the year ended 30 June 2004 or the year ended 30 June 2003.

Notes (continued)

	<u>2004</u>	<u>2003</u>
USD'000		
8. Dividends and other appropriations		
Ordinary shares		
Interim paid of USD 44.63 per share (2003: USD 18.81)	625 000	263 476
5% Preference shares		
Dividend of USD 0.05 (2003: USD 0.05) per share	95	95
	<u>625 095</u>	<u>263 571</u>
	<u>2004</u>	<u>2003</u>

USD'000		
9. Investments in subsidiary companies		
At beginning of year		
Cost	1 746 444	1 746 444
Provisions	<u>(2 200)</u>	<u>(2 200)</u>
Net book value	1 744 244	1 744 244
Movements		
Additions	<u>100 000</u>	<u>-</u>
At end of year		
Net book value	1 844 244	1 744 244
Cost	1 846 444	1 746 444
Provisions	<u>(2 200)</u>	<u>(2 200)</u>

Subsidiary companies

Name	Country of incorporation	Nature of business	Description of shares	Ownership
BHP Billiton UK Holdings Limited	British Virgin Islands	Holding Company	Ordinary shares	100%
BHP Billiton UK Investments Limited	British Virgin Islands	Holding Company	Ordinary Shares	100%
BHP Billiton (UK) Limited	England and Wales	Holding Company	Ordinary shares	100%
BHP Billiton Holdings Limited	United Kingdom	Holding Company	Ordinary shares	0.23%

	<u>2004</u>	<u>2003</u>
USD'000		
10. Debtors		
VAT receivable	2	-
Amounts owed by group undertakings	<u>8 271</u>	<u>235 496</u>
	<u>8 273</u>	<u>235 496</u>

Notes (continued)

	<u>2004</u>	<u>2003</u>
USD'000		
11. Creditors: Amounts falling due within one year		
Amounts owed to group undertakings	900	321
Bank overdraft	40 960	13 188
Dividends payable	<u>95</u>	<u>263 476</u>
	<u>41 955</u>	<u>276 985</u>

	<u>2004</u>	<u>2003</u>
12. Called up share capital		
<i>Authorised</i>		
- 2,496,000,000 ordinary shares of USD 0.50 each	USD 1 248 000 000	USD 1 248 000 000
- 50,000 5.5% preference shares of £1 each	£50 000	£50 000
- 2,000,000 5% preference shares of USD 1 each	USD 2 000 000	USD 2 000 000
USD'000		
<i>Allotted, called up and fully paid</i>		
- 214,003,527 ordinary shares of USD 0.50 each	107 002	7 002
- 1 5.5% preference share of £1	-	-
- 1,908,500 5% preference shares of USD 1 each	<u>1 909</u>	<u>1 909</u>
	<u>108 911</u>	<u>8 911</u>

During the year, 2 000 000 ordinary shares with a nominal value of USD 0.50 each were issued at a price of USD 1 000 000.

	<u>2004</u>	<u>2004</u>
USD'000		
13. Share premium and reserves		
	<i>Profit and loss account</i>	<i>Share premium account</i>
At beginning of year	525	1 693 319
Retained profit for the year	<u>7 807</u>	-
At end of year	<u>8 332</u>	<u>1 693 319</u>

14. Ultimate parent company

The immediate and ultimate holding company of BHP Billiton Group Limited is BHP Billiton Plc, a company listed on the London Stock Exchange.

The registered office of BHP Billiton Plc is Neathouse Place, London SW1V 1BH.