IDT CORP
Form SC TO-I/A
January 19, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO
(RULE 14d-100)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) or 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 4)

IDT CORPORATION
(Name of Subject Company (Issuer))

IDT CORPORATION
(Name of Filing Person (Offeror))

Common Stock, par value $.01 per share
(Titles of Classes of Securities)

448947408
(CUSIP Numbers of Classes of Securities)

SCHEDULE 13E-3

RULE 13E-3 TRANSACTION STATEMENT
UNDER SECTION 13(E) OF THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 4)

IDT CORPORATION
(Name of the Issuer)

IDT CORPORATION
(Name of Person(s) Filing Statement)

Common Stock, par value $.01 per share
(Title of Classes of Securities)

448947408

(CUSIP Number of Classes of Securities)

BILL PEREIRA
CHIEF FINANCIAL OFFICER
IDT CORPORATION
520 BROAD STREET
NEWARK, NEW JERSEY 07102
(973) 438-1000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications on Behalf of the Filing Person)

COPIES TO:

DOV T. SCHWELL, ESQ.
OUTSIDE COUNSEL SOLUTIONS LLP
1430 BROADWAY, SUITE 1615
NEW YORK, NEW YORK 10018
(646) 328-0795

CALCULATION OF FILING FEE

TRANSACTION VALUATION*	AMOUNT OF FILING FEE+
$80,277,921	$5,724

* Estimated for purposes of calculating the amount of the filing fee only. The amount assumes the exchange of 3,728,654 shares of IDT Corporation ("IDT") Common Stock, par value $.01 per share ("Common Stock"), for 3,728,654 shares of IDT Class B Common Stock, par value $.01 per share ("Class B Stock"). The amount is estimated based upon the product of (a) $21.53, which is the average of the high and the low price per share of the Class B Stock on December 1, 2010, as reported on the New York Stock Exchange and (b) 3,728,654, representing the number of shares outstanding as of December 1, 2010.

\+ The amount of the filing fee, calculated in accordance with Rule 0-11 under the Securities Exchange Act of 1934, as amended, and Fee Advisory # 2 for Fiscal Year 2011, issued September 29, 2010, equals $71.30 per million dollars of the transaction value.

x Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount previously paid: $5,724
Filing party: IDT Corporation
Form or registration No.: Schedule TO / Schedule 13E-3
Date filed: December 3, 2010

o Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.
Check the appropriate boxes below to designate any transactions to which the statement relates:
o Third-party tender offer subject to Rule 14d-1.
x Issuer tender offer subject to Rule 13e-4.
x Going-private transaction subject to Rule 13e-3.
o Amendment to Schedule 13D under Rule 13d-2.
Check the following box if the filing is a final amendment reporting the results of the tender offer o

This Amendment No. 4 ("Amendment No. 4") amends and supplements the Tender Offer Statement and Schedule 13E-3 Transaction Statement on Schedule TO filed on December 3, 2010 (as amended from time to time, the "Schedule TO"), as amended by Amendment No. 1 to the Schedule TO filed on December 20, 2010, Amendment No. 2 to the Schedule TO filed on December 28, 2010, and Amendment No. 3 to the Schedule TO filed on January 6, 2011 which relates to the offer by IDT Corporation, a Delaware corporation (together with its subsidiaries, "IDT" or the "Issuer"), to exchange (the "Exchange Offer") shares of its currently outstanding common stock, par value $.01 per share (the "Common Stock") from the holders thereof (the "Holders"), for shares of IDT Class B Common Stock, par value $.01 per share (the "Class B Stock"), upon the terms and subject to the conditions set forth in the Offer to Exchange, dated December 3, 2010, as revised on December 20, 2010 (as revised, the "Offer to Exchange"), and in the related Letter of Transmittal (the "Letter of Transmittal"), copies of which were previously filed with the Schedule TO as Exhibits (a)(1)(F) and (a)(1)(B), respectively.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Amendment No. 4 amends only the items and exhibits to the Schedule TO that are being amended, and unaffected items and exhibits, are not included herein.

ITEM 11. ADDITIONAL INFORMATION

Item 11 of the Schedule TO is hereby amended and supplemented by adding the following:

On January 19, 2011, IDT issued a press release announcing the preliminary results of the Exchange Offer, which expired at 5:00 p.m., New York City time, on January 18, 2011. A copy of the press release is filed as Exhibit (a)(5)(D) to this Schedule TO and is incorporated herein by reference.

ITEM 12 . EXHIBITS

The Exhibit Index attached hereto is incorporated herein by reference.

ITEM 13 . INFORMATION REQUIRED BY SCHEDULE 13E-3.

Schedule 13e-3 Item 15. Additional Information.

Schedule 13e-3 Item 15 of the Schedule TO is hereby amended and supplemented by adding the following:

On January 19, 2011, IDT issued a press release announcing the preliminary results of the Exchange Offer, which expired at 5:00 p.m., New York City time, on January 18, 2011. A copy of the press release is filed as Exhibit (a)(5)(D) to this Schedule TO and is incorporated herein by reference.

Schedule 13e-3 Item 16. Exhibits.

The Exhibit Index attached hereto is incorporated herein by reference.

SIGNATURE

IDT Corporation is filing this statement as a combined Schedule TO and Schedule 13E-3. After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

IDT CORPORATION

By:	/s/ Howard S. Jonas
Name:	Howard S. Jonas
Title:	Chief Executive Officer

Date: January 19, 2011

EXHIBIT INDEX

Exhibit No.	Description
(a)(1)(A)	Offer to Exchange, dated December 2, 2010.
(a)(1)(B)	Letter of Transmittal, dated December 2, 2010.
(a)(1)(C)	Notice of Guaranteed Delivery, dated December 2, 2010.
(a)(1)(D)	Letter to Clients, dated December 2, 2010.
(a)(1)(E)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, December 2, 2010.
(a)(1)(F)	Revised Offer to Exchange, dated December 20, 2010
(a)(5)(A)	Press Release of IDT Corporation, dated December 2, 2010.
(a)(5)(B)	Press Release of IDT Corporation, dated December 20, 2010.
(a)(5)(C)	Frequently Asked Questions Regarding IDT Corporation's Offer To Exchange Its Common Stock For Its Class B Common Stock, posted on IDT Corporation's website on January 6, 2011.
(a)(5)(D)*	Press Release of IDT Corporation, dated January 19, 2011.
(d)(A)	Voting Agreement between IDT Corporation and Howard S. Jonas, dated December 2, 2010.
(g)	Not applicable.
(h)	Not applicable.

* Filed herewith.

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5.1.5 Consolidated Statement of Changes in Equity for the year ended 30 June 2018

	Attributable to BHP shareholders								
	Share capital		Treasury shares						
US$M	BHP Billiton Limited	BHP Billiton Plc	BHP Billiton Limited	BHP Billiton Plc	Reserves	Retained earnings	Total equity attributable to BHP shareholders	Non-controlling interests	Total equity
Balance as at 1 July 2017	**1,186**	**1,057**	**(2)**	**(1)**	**2,400**	**52,618**	**57,258**	**5,468**	**62,726**
Total comprehensive income					**(87)**	**3,695**	**3,608**	**1,118**	**4,726**
Transactions with owners:									
Purchase of shares by ESOP Trusts			**(159)**	**(12)**			**(171)**		**(171)**
Employee share awards exercised net of employee contributions			**156**	**13**	**(139)**	**(30)**			
Employee share awards forfeited					**(2)**	**2**			
Accrued employee entitlement for unexercised awards					**123**		**123**		**123**
Distribution to non-controlling interests								**(14)**	**(14)**
Dividends						**(5,221)**	**(5,221)**	**(1,499)**	**(6,720)**
Transfer to non-controlling interests					**(5)**		**(5)**	**5**	
Balance as at 30 June 2018	**1,186**	**1,057**	**(5)**		**2,290**	**51,064**	**55,592**	**5,078**	**60,670**
Balance as at 1 July 2016	1,186	1,057	(7)	(26)	2,538	49,542	54,290	5,781	60,071
Total comprehensive income					(59)	5,900	5,841	332	6,173
Transactions with owners:									
Purchase of shares by ESOP Trusts			(105)	(3)			(108)		(108)
Employee share awards exercised net of employee contributions			110	28	(167)	29			
Employee share awards forfeited					(18)	18			
Accrued employee entitlement for unexercised awards					106		106		106

Distribution to non-controlling interests								(16)	(16)
Dividends						(2,871)	(2,871)	(601)	(3,472)
Divestment of subsidiaries, operations and joint operations								(28)	(28)
Balance as at 30 June 2017	1,186	1,057	(2)	(1)	2,400	52,618	57,258	5,468	62,726
Balance as at 1 July 2015	1,186	1,057	(19)	(57)	2,557	60,044	64,768	5,777	70,545
Total comprehensive loss					60	(6,420)	(6,360)	176	(6,184)
Transactions with owners:									
Purchase of shares by ESOP Trusts			(106)				(106)		(106)
Employee share awards exercised net of employee contributions			118	31	(193)	46	2		2
Employee share awards forfeited					(26)	26			
Accrued employee entitlement for unexercised awards					140		140		140
Dividends						(4,154)	(4,154)	(172)	(4,326)
Balance as at 30 June 2016	1,186	1,057	(7)	(26)	2,538	49,542	54,290	5,781	60,071

The accompanying notes form part of these Financial Statements.

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Basis of preparation

The Group s Financial Statements as at and for the year ended 30 June 2018:

is a consolidated general purpose financial report;

has been prepared in accordance with the requirements of the:

- Australian Corporations Act 2001;
- UK Companies Act 2006;

has been prepared in accordance with accounting standards and interpretations collectively referred to as IFRS in this report, which encompass the:

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

is prepared on a going concern basis;

measures items on the basis of historical cost principles, except for the following items:

- derivative financial instruments and certain other financial assets, which are carried at fair value;
- non-current assets or disposal groups that are classified as held-for-sale or held-for-distribution, which are measured at the lower of carrying amount and fair value less cost to dispose;

includes significant accounting policies in the notes to the Financial Statements that summarise the recognition and measurement basis used and are relevant to an understanding of the Financial Statements;

applies a presentation currency of US dollars, consistent with the predominant functional currency of the Group s operations. Amounts are rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC (Rounding in Financial/Directors Reports) Instrument 2016/191;

presents reclassified comparative information where required for consistency with the current year s presentation;

adopts all new and amended standards and interpretations under IFRS issued by the relevant bodies (listed above), that are mandatory for application beginning on or after 1 July 2017. None had a significant impact on the Financial Statements;

has not early adopted any standards and interpretations that have been issued or amended but are not yet effective.

The accounting policies have been consistently applied by all entities included in the Financial Statements and are consistent with those applied in all prior years presented.

Principles of consolidation

In preparing the Financial Statements the effects of all intragroup balances and transactions have been eliminated.

A list of significant entities in the Group, including subsidiaries, joint arrangements and associates at year-end is contained in note 27 Subsidiaries , note 28 Investments accounted for using the equity method and note 29 Interests in joint operations .

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Subsidiaries: The Financial Statements of the Group include the consolidation of BHP Billiton Limited, BHP Billiton Plc and their respective subsidiaries being the entities controlled by the parent entities during the year. Control exists where the Group is:

exposed to, or has rights to, variable returns from its involvement with the entity;

has the ability to affect those returns through its power to direct the activities of the entity.

The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary. Where the Group s interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests. The financial statements of subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies. The acquisition method of accounting is used to account for the Group s business combinations.

Joint arrangements: The Group undertakes a number of business activities through joint arrangements, which exist when two or more parties have joint control. Joint arrangements are classified as either joint operations or joint ventures, based on the contractual rights and obligations between the parties to the arrangement.

The Group has two types of joint arrangements:

Joint operations: A joint operation is an arrangement in which the Group shares joint control, primarily via contractual arrangements with other parties. In a joint operation, the Group has rights to the assets and obligations for the liabilities relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading. In relation to the Group s interest in a joint operation, the Group recognises: its share of assets and liabilities; revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the joint operation; and its share of expenses. All such amounts are measured in accordance with the terms of the arrangement, which is usually in proportion to the Group s interest in the joint operation.

Joint ventures: A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. A separate vehicle, not the parties, will have the rights to the assets and obligations to the liabilities relating to the arrangement. More than an insignificant share of output from a joint venture is sold to third parties, which indicates the joint venture is not dependent on the parties to the arrangement for funding, nor do the parties have an obligation for the liabilities of the arrangement. Joint ventures are accounted for using the equity accounting method.

Associates: The Group accounts for investments in associates using the equity accounting method. An entity is considered an associate where the Group is deemed to have significant influence but not control or joint control. Significant influence is presumed to exist where the Group:

has over 20 per cent but less than 50 per cent of the voting rights of an entity, unless it can be clearly demonstrated that this is not the case; or

holds less than 20 per cent of the voting rights of an entity; however, has the power to participate in the financial and operating policy decisions affecting the entity.

The Group uses the term equity accounted investments to refer to joint ventures and associates collectively.

Foreign currencies

Transactions related to the Group s worldwide operations are conducted in a number of foreign currencies. The majority of operations have assessed US dollars as the functional currency, however, some subsidiaries, joint arrangements and associates have functional currencies other than US dollars.

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Monetary items denominated in foreign currencies are translated into US dollars as follows:

Foreign currency item	**Applicable exchange rate**
Transactions	Date of underlying transaction
Monetary assets and liabilities	Period-end rate

Foreign exchange gains and losses resulting from translation are recognised in the income statement, except for qualifying cash flow hedges (which are deferred to equity) and foreign exchange gains or losses on foreign currency provisions for site closure and rehabilitation costs (which are capitalised in property, plant and equipment for operating sites).

On consolidation, the assets, liabilities, income and expenses of non-US dollar denominated functional operations are translated into US dollars using the following applicable exchange rates:

Foreign currency amount	**Applicable exchange rate**
Income and expenses	Date of underlying transaction
Assets and liabilities	Period-end rate
Equity	Historical rate
Reserves	Historical and period-end rate

Foreign exchange differences resulting from translation are initially recognised in the foreign currency translation reserve and subsequently transferred to the income statement on disposal of a foreign operation.

Critical accounting policies, judgements and estimates

The Group has identified a number of critical accounting policies under which significant judgements, estimates and assumptions are made. Actual results may differ for these estimates under different assumptions and conditions. This may materially affect financial results and the carrying amount of assets and liabilities to be reported in the next and future periods.

Additional information relating to these critical accounting policies is embedded within the following notes:

Note	
3	Significant events Samarco dam failure
5	Taxation
9	Inventories
10 and 11	Exploration and evaluation
10	Development expenditure
10	Overburden removal costs
10	Depreciation of property, plant and equipment
10 and 11	Impairments of non-current assets recoverable amount
13	Closure and rehabilitation provisions

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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 for 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 ore bodies 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.

Additional information on the Group s mineral and oil and gas reserves can be viewed within section 6.3. Section 6.3 is unaudited and does not form part of these Financial Statements.

Reserve impact on financial reporting

Estimates of reserves may change from period-to-period as the economic assumptions used to estimate reserves change and additional geological data is generated during the course of operations. Changes in reserves may affect the Group s financial results and financial position in a number of ways, including:

- asset carrying values may be affected due to changes in estimated future production levels;
- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined on 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.

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5.1.6 Notes to the Financial Statements

Performance

1 Segment reporting

Reportable segments

The Group operated four reportable segments during FY2018, which are aligned with the commodities that are extracted and marketed and reflect the structure used by the Group s management to assess the performance of the Group.

Reportable segment	Principal activities
Petroleum	Exploration, development and production of oil and gas
Copper	Mining of copper, silver, lead, zinc, molybdenum, uranium and gold
Iron Ore	Mining of iron ore
Coal	Mining of metallurgical coal and energy coal

Unless otherwise noted, the segment reporting information excludes Discontinued operations, being the Petroleum Onshore US operations comprising the Eagle Ford, Haynesville, Permian and Fayetteville oil and gas assets.

Group and unallocated items includes functions and other unallocated operations, including Potash, Nickel West and consolidation adjustments. Revenue not attributable to reportable segments comprises the sale of freight and fuel to third parties, as well as revenues from unallocated operations. Exploration and technology activities are recognised within relevant segments.

Year ended 30 June 2018 **US$M**	**Petroleum**	**Copper**	**Iron Ore**	**Coal**	**Group and unallocated items/ eliminations [4]**	**Group total**
Revenue	5,333	13,287	14,797	8,889	1,332	43,638
Inter-segment revenue	75		13		(88)	
Total revenue	**5,408**	**13,287**	**14,810**	**8,889**	**1,244**	**43,638**
Underlying EBITDA	**3,341**	**6,522**	**8,930**	**4,397**	**(7)**	**23,183**
Depreciation and amortisation [1]	(1,719)	(1,920)	(1,721)	(686)	(242)	(6,288)
Impairment losses [2]	(76)	(213)	(14)	(29)	(1)	(333)
Underlying EBIT	**1,546**	**4,389**	**7,195**	**3,682**	**(250)**	**16,562**
Exceptional items [3]			(539)		(27)	(566)

Net finance costs						(1,245)
Profit before taxation						**14,751**
Capital expenditure (cash basis)	**656**	**2,428**	**1,074**	**409**	**412**	**4,979**
Profit/(loss) from equity accounted investments, related impairments and expenses	**(4)**	**467**	**(509)**	**192**	**1**	**147**
Investments accounted for using the equity method	**249**	**1,335**		**883**	**6**	**2,473**
Total assets	**12,938**	**26,824**	**22,208**	**12,257**	**37,766**	**111,993**
Total liabilities	**4,886**	**3,145**	**3,888**	**2,404**	**37,000**	**51,323**

Year ended 30 June 2017 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ eliminations [4]	Group total
Revenue	4,639	8,335	14,606	7,578	977	36,135
Inter-segment revenue	83		18		(101)	
Total revenue	4,722	8,335	14,624	7,578	876	36,135
Underlying EBITDA	3,117	3,545	9,077	3,784	(173)	19,350
Depreciation and amortisation [1]	(1,648)	(1,525)	(1,828)	(719)	(252)	(5,972)
Impairment losses [2]	(102)	(14)	(52)	(15)	(5)	(188)
Underlying EBIT	1,367	2,006	7,197	3,050	(430)	13,190
Exceptional items [3]		(546)	(203)	164	(51)	(636)
Net finance costs						(1,417)
Profit before taxation						11,137
Capital expenditure (cash basis)	917	1,484	805	246	245	3,697
Profit/(loss) from equity accounted investments, related impairments and expenses	(3)	295	(172)	152		272
Investments accounted for using the equity method	264	1,306		873	5	2,448
Total assets	13,726	26,743	22,781	11,996	41,760	117,006
Total liabilities	4,715	2,643	3,606	1,860	41,456	54,280

Year ended 30 June 2016 US$M	Petroleum	Copper	Iron Ore	Coal	Group and unallocated items/ eliminations [4]	Group total
Revenue	4,431	8,249	10,516	4,518	853	28,567
Inter-segment revenue	118		22		(140)	
Total revenue	4,549	8,249	10,538	4,518	713	28,567
Underlying EBITDA	3,038	2,619	5,599	635	(171)	11,720
Depreciation and amortisation [1]	(1,696)	(1,560)	(1,817)	(890)	(247)	(6,210)
Impairment losses [2]	(24)	(17)	(42)	(94)	(9)	(186)

Underlying EBIT	1,318	1,042	3,740	(349)	(427)	5,324
Exceptional items [3]			(2,388)		(132)	(2,520)
Net finance costs						(1,013)
Loss before taxation						1,791
Capital expenditure (cash basis)	1,278	2,786	1,061	298	284	5,707
Profit/(loss) from equity accounted investments, related impairments and expenses	(7)	155	(2,244)	(9)	1	(2,104)
Investments accounted for using the equity method	280	1,388		901	6	2,575
Total assets	14,120	26,143	24,330	12,754	41,606	118,953
Total liabilities	4,264	2,299	3,789	2,103	46,427	58,882

(1) Depreciation and amortisation excludes exceptional items of US$ nil (FY2017: US$212 million; FY2016: US$ nil).

(2) Impairment losses excludes exceptional items of US$ nil (FY2017: US$5 million; FY2016: US$ nil).

(3) Exceptional items reported in Group and unallocated include Samarco dam failure costs of US$(27) million (FY2017: US$(51) million; FY2016: US$(62) million). Refer to note 2 Exceptional items for further information.

(4) Total assets and total liabilities include balances for the years ended 30 June 2018, 2017 and 2016 relating to Onshore US assets.

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Geographical information

	Revenue by location of customer		
	2018	2017	2016
	US$M	US$M	US$M
Australia	**2,304**	2,037	1,846
Europe	**1,886**	1,641	1,141
China	**22,935**	18,875	13,177
Japan	**4,709**	3,086	2,941
India	**2,484**	1,938	1,478
South Korea	**2,639**	2,296	1,919
Rest of Asia	**2,620**	3,157	2,623
North America	**2,715**	2,233	2,355
South America	**1,106**	681	899
Rest of world	**240**	191	188
	43,638	36,135	28,567

	Non-current assets by location of assets		
	2018	2017	2016
	US$M	US$M	US$M
Australia	**45,157**	46,949	49,465
North America (1)	**8,246**	22,860	23,943
South America (2)	**18,267**	18,899	18,614
Rest of world (2)	**154**	173	389
Unallocated assets (3)	**5,039**	7,069	8,828
	76,863	95,950	101,239

(1) Balances for the years ended 30 June 2017 and 2016 include non-current assets relating to Onshore US assets.

(2) Prior periods have been restated to reflect the location of equity accounted investments operations rather than the location of the holding company.

(3) Unallocated assets comprise deferred tax assets and other financial assets.

Underlying EBITDA

Underlying EBITDA is earnings before net finance costs, depreciation, amortisation and impairments, taxation expense, Discontinued operations and any exceptional items. Underlying EBITDA includes BHP s share of profit/(loss) from investments accounted for using the equity method including net finance costs, depreciation, amortisation and impairments and taxation expense.

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Underlying EBITDA is the key alternative performance measure that management uses internally to assess the performance of the Group s segments and make decisions on the allocation of resources and, in the Group s view, is more relevant to capital intensive industries with long-life assets.

We exclude exceptional items from Underlying EBITDA in order to enhance the comparability of such measures from period-to-period and provide our investors with further clarity in order to assess the underlying performance of our operations. Management monitors exceptional items separately. Refer to note 2 Exceptional items for additional detail.

Segment assets and liabilities

Total segment assets and liabilities of reportable segments represents operating assets and operating liabilities, including the carrying amount of equity accounted investments and predominantly excludes cash balances, loans to associates, interest bearing liabilities and deferred tax balances. The carrying value of investments accounted for using the equity method represents the balance of the Group s investment in equity accounted investments, with no adjustment for any cash balances, interest bearing liabilities or deferred tax balances of the equity accounted investment.

Recognition and measurement

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Sale of products

Revenue is recognised when the risk and rewards of ownership of the goods have passed to the buyer based on agreed delivery terms and it can be measured reliably. Depending on customer terms this can be based on issuance of a bill of lading or when delivery is completed as per the agreement with the customer.

Provisionally priced sales

Revenue on provisionally priced sales is initially recognised at the estimated fair value of consideration receivable with reference to the relevant forward and/or contractual price and the determined mineral or hydrocarbon specifications. Subsequently, provisionally priced sales are marked to market at each reporting period up until when final pricing and settlement is confirmed with the fair value adjustment recognised in revenue in the period identified. Refer to note 20 Financial risk management for details of provisionally priced sales open at reporting period-end. The period between provisional pricing and final invoicing is typically between 60 and 120 days.

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2 Exceptional items

Exceptional items are those gains or losses where their nature, including the expected frequency of the events giving rise to them, and amount is considered material to the Financial Statements. Such items included within the Group s profit from Continuing operations for the year are detailed below. Exceptional items attributable to Discontinued operations are detailed in note 26 Discontinued operations .

Year ended 30 June 2018	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Samarco dam failure	**(650)**		**(650)**
US tax reform		**(2,320)**	**(2,320)**
Total	**(650)**	**(2,320)**	**(2,970)**
Attributable to non-controlling interests			
Attributable to BHP shareholders	**(650)**	**(2,320)**	**(2,970)**

Samarco Mineração S.A. (Samarco) dam failure

The FY2018 exceptional loss of US$650 million related to the Samarco dam failure in November 2015 comprises the following:

Year ended 30 June 2018	US$M
Expenses excluding net finance costs:	
Costs incurred directly by BHP Billiton Brasil Ltda and other BHP entities in relation to the Samarco dam failure	**(57)**
Loss from equity accounted investments, related impairments and expenses:	
Share of loss relating to the Samarco dam failure	**(80)**
Samarco dam failure provision	**(429)**
Net finance costs	**(84)**
Total [1]	**(650)**

[1] Refer to note 3 Significant events Samarco dam failure for further information.

US tax reform

On 22 December 2017, the US President signed the Tax Cuts and Jobs Act (the TCJA) into law. The TCJA (effective 1 January 2018) includes a broad range of tax reforms affecting the Group, including, but not limited to, a reduction in the US corporate tax rate from 35 per cent to 21 per cent and changes to international tax provisions.

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Following enactment of the TCJA, the Group has recognised an exceptional income tax charge of US$2,320 million, primarily relating to the reduced US corporate income tax rate, which resulted in re-measurement of the Group s deferred tax position and impairment of foreign tax credits due to reduced forecast utilisation, together with tax charges on the deemed repatriation of accumulated earnings of non-US subsidiaries.

Year ended 30 June 2018	**US$M**
Re-measurement of deferred taxes as a result of reduced US corporate income tax rate	**(1,390)**
Impairment of foreign tax credits	**(834)**
Net impact of tax charges on deemed repatriation of accumulated earnings of non-US subsidiaries [1]	**(194)**
Recognition of Alternative Minimum Tax Credits	**95**
Other impacts	**3**
Total [2]	**(2,320)**

[1] Includes US$(134) million to be settled over a period greater than 12 months and classified as a non-current tax payable on the face of the balance sheet.

[2] Refer to note 5 Income tax expense for further information.

Year ended 30 June 2017	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Samarco dam failure	(381)		(381)
Escondida industrial action	(546)	179	(367)
Cancellation of the Caroona exploration licence	164	(49)	115
Withholding tax on Chilean dividends		(373)	(373)
Total	(763)	(243)	(1,006)
Attributable to non-controlling interests Escondida industrial action	(232)	68	(164)
Attributable to BHP shareholders	(531)	(311)	(842)

Samarco Mineração S.A. (Samarco) dam failure

The FY2017 exceptional loss of US$381 million related to the Samarco dam failure in November 2015 comprises the following:

Year ended 30 June 2017	US$M
Expenses excluding net finance costs:	

Costs incurred directly by BHP Billiton Brasil Ltda and other BHP entities in relation to the Samarco dam failure	(82)
Loss from equity accounted investments, related impairments and expenses:	
Share of loss relating to the Samarco dam failure	(134)
Samarco dam failure provision	(38)
Net finance costs	(127)
Total [1]	(381)

[1] Refer to note 3 Significant events Samarco dam failure for further information.

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Escondida industrial action

Our Escondida asset in Chile began negotiations with Union N°1 on a new collective agreement in December 2016, as the existing agreement was expiring on 31 January 2017. Negotiations, including government-led mediation, failed and the union commenced strike action on 9 February 2017 resulting in a total shutdown of operations, including work on the expansion of key projects. On 24 March 2017, following a 44-day strike and a revised offer being presented to union members, Union N°1 exercised its rights under Article 369 of the Chilean Labour Code to extend the existing collective agreement for 18 months.

Industrial action through this period resulted in a reduction to FY2017 copper production of 214 kt and gave rise to idle capacity charges of US$546 million, including depreciation of US$212 million.

Cancellation of the Caroona exploration licence

Following the Group s agreement with the New South Wales Government in August 2016 to cancel the exploration licence of the Caroona Coal project, a net gain of US$115 million (after tax expense) has been recognised.

Withholding tax on Chilean dividends

BHP Billiton Chile Inversiones Limitada paid a one-off US$2.3 billion dividend to its parent in April 2017 while a concessional tax rate was available, resulting in withholding tax of US$373 million.

Year ended 30 June 2016	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Samarco dam failure	(2,450)	253	(2,197)
Global taxation matters	(70)	(500)	(570)
Total	(2,520)	(247)	(2,767)
Attributable to non-controlling interests			
Attributable to BHP shareholders	(2,520)	(247)	(2,767)

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Samarco Mineração S.A. (Samarco) dam failure

The FY2016 exceptional loss of US$2,450 million (before tax) related to the Samarco dam failure in November 2015 comprises the following:

Year ended 30 June 2016	US$M
Expenses excluding net finance costs:	
Costs incurred directly by BHP Billiton Brasil Ltda and other BHP entities in relation to the Samarco dam failure	(70)
Loss from equity accounted investments, related impairments and expenses:	
Share of loss relating to the Samarco dam failure	(655)
Impairment of the carrying value of the investment in Samarco	(525)
Samarco dam failure provision	(1,200)
Total [1]	(2,450)

[1] BHP Billiton Brasil Ltda has adjusted its investment in Samarco to US$ nil (resulting from US$(655) million share of loss from Samarco and US$(525) million impairment), recognised a provision of US$(1,200) million for potential obligations under the Framework Agreement and together with other BHP entities incurred US$(70) million of direct costs in relation to the Samarco dam failure. US$(572) million of the US$(1,200) million provision represents an additional share of loss from Samarco with the remaining US$(628) million recognised as provision expense. Refer to note 3 Significant events Samarco dam failure for further information.

Global taxation matters

Global taxation matters include amounts provided for unresolved tax matters and other claims for which the timing of resolution and potential economic outflow are uncertain.

3 Significant events Samarco dam failure

On 5 November 2015, the Samarco Mineração S.A. (Samarco) iron ore operation in Minas Gerais, Brazil, experienced a tailings dam failure that resulted in a release of mine tailings, flooding the communities of Bento Rodrigues, Gesteira and Paracatu and impacting other communities downstream (the Samarco dam failure). Refer to section 1.8 Samarco .

Samarco is jointly owned by BHP Billiton Brasil Ltda (BHP Billiton Brasil) and Vale S.A. (Vale). BHP Billiton Brasil s 50 per cent interest is accounted for as an equity accounted joint venture investment. BHP Billiton Brasil does not separately recognise its share of the underlying assets and liabilities of Samarco, but instead records the investment as one line on the balance sheet. Each period, BHP Billiton Brasil recognises its 50 per cent share of Samarco s profit or loss and adjusts the carrying value of the investment in Samarco accordingly. Such adjustment continues until the investment carrying value is reduced to US$ nil, with any additional share of Samarco losses only recognised to the extent that BHP Billiton Brasil has an obligation to fund the losses, or when future investment funding is provided. After applying equity accounting, any remaining carrying value of the investment is tested for impairment.

Any charges relating to the Samarco dam failure incurred directly by BHP Billiton Brasil or other BHP entities are recognised 100 per cent in the Group s results.

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The financial impacts of the Samarco dam failure on the Group s income statement, balance sheet and cash flow statement for the year ended 30 June 2018 are shown in the table below and have been treated as an exceptional item. The table below does not include BHP Billiton Brasil s share of the results of Samarco prior to the Samarco dam failure, which is disclosed in note 28 Investments accounted for using the equity method , along with the summary financial information related to Samarco as at 30 June 2018.

Financial impacts of Samarco dam failure	**2018 US$M**	2017 US$M	2016 US$M
Income statement			
Expenses excluding net finance costs:			
Costs incurred directly by BHP Billiton Brasil and other BHP entities in relation to the Samarco dam failure (1)(2)	**(57)**	(82)	(70)
Loss from equity accounted investments, related impairments and expenses:			
Share of loss relating to the Samarco dam failure (2)(3)	**(80)**	(134)	(655)
Impairment of the carrying value of the investment in Samarco (3)			(525)
Samarco dam failure provision (2)(3)	**(429)**	(38)	(1,200)
Loss from operations	**(566)**	(254)	(2,450)
Net finance costs	**(84)**	(127)	
Loss before taxation	**(650)**	(381)	(2,450)
Income tax benefit			253
Loss after taxation	**(650)**	(381)	(2,197)
Balance sheet movement			
Trade and other payables	**4**	(3)	(11)
Investments accounted for using the equity method			(1,180)
Deferred tax assets			(158)
Provisions	**(228)**	143	(1,200)
Deferred tax liabilities			411
Net (liabilities)/assets	**(224)**	140	(2,138)

	2018 US$M	2017 US$M	2016 US$M
Cash flow statement			
Loss before taxation	**(650)**	(381)	(2,450)
Adjustments for:			
Share of loss relating to the Samarco dam failure [2][3]	**80**	134	655
Impairment of the carrying value of the investment in Samarco [3]			525
Samarco dam failure provision [2][3]	**429**	38	1,200
Net finance costs [2]	**84**	127	
Changes in assets and liabilities:			
Trade and other payables	**(4)**	3	11
Net operating cash flows	**(61)**	(79)	(59)
Net investment and funding of equity accounted investments [4]	**(365)**	(442)	
Net investing cash flows	**(365)**	(442)	
Net decrease in cash and cash equivalents	**(426)**	(521)	(59)

(1) Includes legal and advisor costs incurred.

(2) Financial impacts of US$(650) million from the Samarco dam failure relates to US$(80) million share of loss from US$(80) million funding provided during the period, US$(57) million direct costs incurred by BHP Billiton Brasil Ltda and other BHP entities, US$(84) million amortisation of discounting impacting net finance costs, US$(560) million change in estimate and US$131 million exchange translation.

(3) At 30 June 2016, BHP Billiton Brasil Ltda adjusted its investment in Samarco to US$ nil (resulting from US$(655) million share of loss from Samarco and US$(525) million impairment) and recognised a provision of US$(1,200) million for obligations under the Framework Agreement. US$(572) million of the US$(1,200) million provision represents an additional share of loss from Samarco with the remaining US$(628) million recognised as provision expense.

(4) Includes US$(80) million funding provided during the period and US$(285) million utilisation of the Samarco dam failure provision, of which US$(281) million allowed for the continuation of reparatory and compensatory programs in relation to the Framework Agreement and a further US$(4) million for dam stabilisation and expert costs.

Equity accounted investment in Samarco

BHP Billiton Brasil s investment in Samarco remains at US$ nil. BHP Billiton Brasil provided US$80 million funding under a working capital facility during the period and recognised additional share of losses of US$80 million. No

dividends have been received by BHP Billiton Brasil from Samarco during the period. Samarco currently does not have profits available for distribution and is legally prevented from paying previously declared and unpaid dividends.

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Provision for Samarco dam failure

		2018 US$M		2017 US$M
At the beginning of the financial year		**1,057**		1,200
Movement in provision		**228**		(143)
Comprising:				
Utilised	**(285)**		(308)	
Adjustments charged to the income statement:				
Change in estimate	**560**		60	
Amortisation of discounting impacting net finance costs	**84**		127	
Exchange translation	**(131)**		(22)	
At the end of the financial year		**1,285**		1,057
Comprising:				
Current		**313**		310
Non-current		**972**		747
At the end of the financial year		**1,285**		1,057

Dam failure provisions and contingencies

As at 30 June 2018, BHP Billiton Brasil has identified provisions and contingent liabilities arising as a consequence of the Samarco dam failure as follows:

Environment and socio-economic remediation

Framework Agreement

On 2 March 2016, BHP Billiton Brasil, together with Samarco and Vale, entered into a Framework Agreement with the Federal Government of Brazil, the states of Espírito Santo and Minas Gerais and certain other public authorities to establish a foundation (Fundação Renova) that will develop and execute environmental and socio-economic programs (Programs) to remediate and provide compensation for damage caused by the Samarco dam failure. A committee (Interfederative Committee) comprising representatives from the Brazilian Federal and State Governments, local municipalities, environmental agencies, impacted communities and Public Defence Office oversees the activities of the Fundação Renova in order to monitor, guide and assess the progress of actions agreed in the Framework Agreement.

The term of the Framework Agreement is 15 years, renewable for periods of one year successively until all obligations under the Framework Agreement have been performed. Under the Framework Agreement, Samarco is responsible for funding Fundação Renova s annual calendar year budget for the duration of the Framework Agreement. The funding amounts for each calendar year will be dependent on the remediation and compensation projects to be undertaken in a particular year. Annual contributions may be reviewed under the Framework Agreement. To the extent that Samarco does not meet its funding obligations under the Framework Agreement, each of Vale and BHP Billiton Brasil has funding obligations under the Framework Agreement in proportion to its 50 per cent shareholding in Samarco.

On 29 June 2018, BHP Billiton Brasil announced funding of US$158 million to support Fundação Renova for the six months to 31 December 2018, in the event Samarco does not meet its funding obligations under the Framework Agreement. Any support to Fundação Renova provided by BHP Billiton Brasil will be offset against the provision for the Samarco dam failure.

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On 25 June 2018 a Governance Agreement (defined below) was entered into providing for the settlement of the R$20 billion (approximately US$5.2 billion) public civil claim, suspension of the R$155 billion (approximately US$40 billion) Federal Public Prosecution Office claim for 24 months, partial ratification of the Framework Agreement and a formal declaration that the Framework Agreement remains valid for the signing parties. On 8 August 2018 the 12th Federal Court of Minas Gerais ratified the Governance Agreement.

Mining and processing operations remain suspended following the dam failure. Samarco is currently progressing plans to resume operations, however significant uncertainties surrounding the nature and timing of ongoing future operations remain. In light of these uncertainties and based on currently available information, at 30 June 2018, BHP Billiton Brasil s provision for its obligations under the Framework Agreement is US$1.3 billion before tax and after discounting (30 June 2017: US$1.1 billion).

Key judgements and estimates

The measurement of the provision requires the use of significant judgements, estimates and assumptions.

The provision reflects the estimated remaining costs to complete Programs under the Framework Agreement, of which 65 per cent are expected to be incurred by December 2020.

The provision may be affected by factors including, but not limited to:

- potential changes in scope of work and funding amounts required under the Framework Agreement including the impact of the decisions of the Interfederative Committee along with further technical analysis and community participation required under the Preliminary Agreement and Governance Agreement;
- the outcome of ongoing negotiations with State and Federal Prosecutors;
- actual costs incurred;
- resolution of uncertainty in respect of operational restart;
- updates to discount and foreign exchange rates;
- resolution of existing and potential legal claims;
- the status of the Framework Agreement and the renegotiation process established in the Governance Agreement.

Given these factors, future actual expenditures may differ from the amounts currently provided and changes to key assumptions and estimates could result in a material impact to the provision in future reporting periods.

Preliminary Agreement

On 18 January 2017, BHP Billiton Brasil, together with Samarco and Vale, entered into a Preliminary Agreement with the Federal Prosecutors Office in Brazil, which outlines the process and timeline for further negotiation towards a settlement regarding the R$20 billion (approximately US$5.2 billion) public civil claim and R$155 billion (approximately US$40 billion) Federal Public Prosecution Office claim relating to the dam failure.

The Preliminary Agreement provides for the appointment of experts to advise the Federal Prosecutors in relation to social and environmental remediation and the assessment and monitoring of programs under the Framework Agreement. The expert advisors conclusions are not binding on BHP Billiton Brasil, Samarco or Vale but will be considered in the negotiation of a final settlement arrangement with the Federal Prosecutors.

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Under the Preliminary Agreement, BHP Billiton Brasil, Samarco and Vale agreed interim security (Interim Security) comprising R$1.3 billion (approximately US$335 million) in insurance bonds, R$100 million (approximately US$25 million) in liquid assets, a charge of R$800 million (approximately US$210 million) over Samarco s assets, and R$200 million (approximately US$50 million) to be allocated within the next four years through existing Framework Agreement programs in the Municipalities of Barra Longa, Rio Doce, Santa Cruz do Escalvado and Ponte Nova.

On 24 January 2017, BHP Billiton Brasil, Samarco and Vale provided the Interim Security to the Court, which was to remain in place until the earlier of 30 June 2017 and the date that a final settlement arrangement was agreed between the Federal Prosecutors, and BHP Billiton Brasil, Vale and Samarco. Following a series of extensions, on 25 June 2018, the parties reached an agreement in the form of the Governance Agreement (summarised below).

Governance Agreement

On 25 June 2018, BHP Billiton Brasil, Samarco, Vale, the other parties to the Framework Agreement, the Public Prosecutors Office and the Public Defence Office agreed an arrangement which settles the R$20 billion (approximately US$5.2 billion) public civil claim, enhances community participation in decisions related to Programs under the Framework Agreement and establishes a process to renegotiate the Programs over two years to progress settlement of the R$155 billion (approximately US$40 billion) Federal Public Prosecution Office claim (Governance Agreement).

Renegotiation of the Programs will be based on certain agreed principles such as full reparation consistent with Brazilian law, the requirement for a technical basis for any proposed changes, consideration of findings from experts appointed by BHP Billiton Brasil, Samarco and Vale, consideration of findings from experts appointed by Prosecutors and consideration of feedback from impacted communities. During the renegotiation period and up until revisions to the Programs are agreed, the Fundação Renova will continue to implement the Programs in accordance with the terms of the Framework Agreement and the Governance Agreement.

The Governance Agreement was ratified by the 12th Federal Court of Minas Gerais on 8 August 2018 settling the R$20 billion (approximately US$5.2 billion) public civil claim and suspending the R$155 billion (approximately US$40 billion) Federal Public Prosecution Office claim for a period of two years from the date of ratification.

Interim Security provided under the Preliminary Agreement is maintained for a period of 30 months under the Governance Agreement, after which BHP Billiton Brasil, Vale and Samarco will be required to provide security of an amount equal to the Fundação Renova s annual budget up to a limit of R$2.2 billion (approximately US$570 million).

Legal

The following matters are disclosed as contingent liabilities and given the status of proceedings it is not possible to provide a range of possible outcomes or a reliable estimate of potential future exposures for BHP, unless otherwise stated. Ultimately, all the legal matters disclosed as contingent liabilities could have a material adverse impact on BHP s business, competitive position, cash flows, prospects, liquidity and shareholder returns.

Public civil claim

Among the claims brought against BHP Billiton Brasil was a public civil claim commenced by the Federal Government of Brazil, states of Espírito Santo, Minas Gerais and other public authorities on 30 November 2015, seeking the establishment of a fund of up to R$20 billion (approximately US$5.2 billion) in aggregate for clean-up costs and damages.

Ratification of the Governance Agreement on 8 August 2018 settled this public civil claim, including a R$1.2 billion (approximately US$310 million) injunction order.

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Federal Public Prosecution Office claim

BHP Billiton Brasil is among the defendants named in a claim brought by the Federal Public Prosecution Office on 3 May 2016, seeking R$155 billion (approximately US$40 billion) for reparation, compensation and moral damages in relation to the Samarco dam failure.

The 12th Federal Court previously suspended the Federal Public Prosecution Office claim, including a R$7.7 billion (approximately US$2 billion) injunction request. Suspension of the claim continues for a period of two years from the date of ratification of the Governance Agreement on 8 August 2018.

United States class action complaint

In February 2016, a putative class action complaint (Complaint) was filed in the U.S. District Court for the Southern District of New York on behalf of purchasers of American Depositary Receipts (Plaintiffs) of BHP Billiton Limited and BHP Billiton Plc (Defendants) between 25 September 2014 and 30 November 2015 against BHP Billiton Limited and BHP Billiton Plc and certain of its current and former executive officers and directors.

Claims against current and former executive officers were subsequently dismissed. On 6 August 2018 the parties reached an in-principle settlement agreement of US$50 million to resolve all claims with no admission of liability by the Defendants. The agreement is subject to Court Approval. BHP expects to recover the majority of the settlement payment under its external insurance arrangements (refer BHP Insurance below).

United States class action complaint Samarco bond holders

On 14 November 2016, a putative class action complaint (Complaint) was filed in the U.S. District Court for the Southern District of New York on behalf of all purchasers of Samarco s ten-year bond notes (Plaintiff) due 2022-2024 between 31 October 2012 and 30 November 2015 against Samarco and the former chief executive officer of Samarco (Defendants).

The Complaint was subsequently amended to include BHP Billiton Limited, BHP Billiton Plc, BHP Billiton Brasil Ltda, Vale S.A. and officers of Samarco, including four of Vale S.A. and BHP Billiton Brasil Ltda s nominees to the Samarco Board (Defendants). On 5 April 2017, the Plaintiff dismissed the claims against the individuals. The remaining corporate defendants filed a joint motion to dismiss the Plaintiff s Complaint on 26 June 2017.

On 7 March 2018, the District Court granted the Defendants motion to dismiss the Complaint, however, the District Court granted the Plaintiff leave to file a second amended Complaint, which it did on 21 March 2018. On 21 May 2018, the Defendants moved to dismiss the Complaint. The Defendants motion is pending before the District Court. The amount of damages sought by the Plaintiff on behalf of the putative class is unspecified.

Australian class action complaint

On 31 May 2018, a shareholder class action was filed in the Federal Court of Australia against BHP Billiton Ltd on behalf of persons who, during the period from 21 October 2013 to 9 November 2015, acquired BHP Billiton Ltd shares on the Australian Securities Exchange or BHP Billiton Plc shares on the London Stock Exchange or Johannesburg Stock Exchange.

On 31 August 2018, an additional shareholder class action that makes similar allegations was filed in the Federal Court of Australia against BHP Billiton Ltd on behalf of persons who, during the period from 27 August 2014 to

9 November 2015, entered into a contract to acquire BHP Billiton Ltd shares on the Australian Securities Exchange or BHP Billiton Plc shares on the London Stock Exchange or Johannesburg Stock Exchange.

Orders have been made for the Court to consider how to manage the competing shareholder class actions on 29 October 2018.

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The amount of damages sought in both class actions is unspecified.

Criminal charges

The Federal Prosecutors   Office has filed criminal charges against BHP Billiton Brasil, Samarco and Vale and certain employees and former employees of BHP Billiton Brasil (Affected Individuals) in the Federal Court of Ponte Nova, Minas Gerais. On 3 March 2017, BHP Billiton Brasil filed its preliminary defences. BHP Billiton Brasil rejects outright the charges against the company and the Affected Individuals and will defend the charges and fully support each of the Affected Individuals in their defence of the charges.

Other claims

The civil public actions filed by State Prosecutors in Minas Gerais (claiming damages of approximately R$7.5 billion, US$2 billion), State Prosecutors in Espírito Santo (claiming damages of approximately R$2 billion, US$520 million), and public defenders in Minas Gerais (claiming damages of approximately R$10 billion, US$2.6 billion), have been consolidated before the 12th Federal Court and suspended. The Governance Agreement provides for a process to review whether these civil public claims should be terminated or suspended.

BHP Billiton Brasil is among the companies named as defendants in a number of legal proceedings initiated by individuals, non-governmental organisations (NGOs), corporations and governmental entities in Brazilian Federal and State courts following the Samarco dam failure. The other defendants include Vale, Samarco and Fundação Renova. The lawsuits include claims for compensation, environmental rehabilitation and violations of Brazilian environmental and other laws, among other matters. The lawsuits seek various remedies including rehabilitation costs, compensation to injured individuals and families of the deceased, recovery of personal and property losses, moral damages and injunctive relief. In addition, government inquiries and investigations relating to the Samarco dam failure have been commenced by numerous agencies of the Brazilian government and are ongoing.

Additional lawsuits and government investigations relating to the Samarco dam failure could be brought against BHP Billiton Brasil and possibly other BHP entities in Brazil or other jurisdictions.

BHP insurance

BHP has various third party liability insurances for claims related to the Samarco dam failure made directly against BHP Billiton Brasil or other BHP entities, their directors and officers, including class actions. External insurers have been advised of the Samarco dam failure, the third party claims and the class actions referred to above and formal claims have been prepared and submitted. As noted above, BHP expects to recover the majority of the settlement payment relating to the United States class action complaint under its external insurance arrangements.

At 30 June 2018, an insurance receivable has not been recognised for any potential recoveries in respect of ongoing matters.

Commitments

Under the terms of the Samarco joint venture agreement, BHP Billiton Brasil does not have an existing obligation to fund Samarco. For the year ended 30 June 2018, BHP Billiton Brasil has provided US$80 million funding to support Samarco s operations and a further US$4 million for dam stabilisation and prosecutor experts costs, with undrawn amounts of US$16 million expiring as at 30 June 2018. On 29 June 2018, BHP Billiton Brasil made available a new short-term facility of up to US$53 million to carry out remediation and stabilisation work and support Samarco s

operations. Funds will be released to Samarco only as required and subject to the achievement of key milestones with amounts undrawn expiring at 31 December 2018.

Any additional requests for funding or future investment provided would be subject to a future decision, accounted for at that time.

The following section includes disclosure required by IFRS of Samarco Mineração S.A. s provisions, contingencies and other matters arising from the dam failure.

Samarco

Dam failure related provisions and contingencies

As at 30 June 2018, Samarco has identified provisions and contingent liabilities arising as a consequence of the Samarco dam failure as follows:

Environment and socio-economic remediation

Framework Agreement

On 2 March 2016, Samarco, together with Vale and BHP Billiton Brasil, entered into a Framework Agreement with the Federal Government of Brazil, the states of Espírito Santo and Minas Gerais and certain other public authorities to establish a foundation (Fundação Renova) that will develop and execute environmental and socio-economic programs (Programs) to remediate and provide compensation for damage caused by the Samarco dam failure. A committee (Interfederative Committee) comprising representatives of the Brazilian Federal and State Governments, local municipalities, environmental agencies, impacted communities and Public Defence Office oversees the activities of the Fundação Renova in order to monitor, guide and assess the progress of actions agreed in the Framework Agreement.

The term of the Framework Agreement is 15 years, renewable for periods of one year successively until all obligations under the Framework Agreement have been performed. Under the Framework Agreement, Samarco is responsible for funding Fundação Renova s annual calendar year budget for the duration of the Framework Agreement. The funding amounts for each calendar year will be dependent on the remediation and compensation projects to be undertaken in a particular year. Annual contributions may be reviewed under the Framework Agreement. It is expected that approximately 65 per cent of the remaining estimated total costs to complete Programs under the Framework Agreement will be incurred by December 2020.

On 25 June 2018 a Governance Agreement (defined below), was entered into providing for the settlement of the R$20 billion (approximately US$5.2 billion) public civil claim, suspension of the R$155 billion (approximately US$40 billion) Federal Public Prosecution Office claim for 24 months, partial ratification of the Framework Agreement and a formal declaration that the Framework Agreement remains valid for the signing parties. On 8 August 2018 the 12th Federal Court of Minas Gerais ratified the Governance Agreement.

As at 30 June 2018, Samarco has a provision of US$2.6 billion before tax and after discounting (30 June 2017: US$2.1 billion), in relation to its obligations under the Framework Agreement based on currently available information.

The measurement of the provision requires the use of significant judgements, estimates and assumptions which may be affected by factors including, but not limited to:

potential changes in scope of work and funding amounts required under the Framework Agreement including the impact of the decisions of the Interfederative Committee along with further technical analysis and

community participation required under the Preliminary Agreement and Governance Agreement;
the outcome of ongoing negotiations with State and Federal Prosecutors;
actual costs incurred;
updates to discount and foreign exchange rates;
resolution of existing and potential legal claims;
the status of the Framework Agreement and the renegotiation process established in the Governance Agreement.

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Given these factors, future actual expenditures may differ from the amounts currently provided and changes to key assumptions and estimates could result in a material impact to the provision in future reporting periods.

Preliminary Agreement

On 18 January 2017, Samarco, together with Vale and BHP Billiton Brasil, entered into a Preliminary Agreement with the Federal Prosecutors Office in Brazil, which outlines the process and timeline for further negotiation towards a settlement regarding the R$20 billion (approximately US$5.2 billion) public civil claim and R$155 billion (approximately US$40 billion) Federal Public Prosecution Office claim relating to the dam failure.

The Preliminary Agreement provides for the appointment of experts to advise the Federal Prosecutors in relation to social and environmental remediation and the assessment and monitoring of programs under the Framework Agreement. The expert advisors conclusions are not binding on Samarco, Vale or BHP Billiton Brasil but will be considered in the negotiation of a final settlement arrangement with the Federal Prosecutors.

Under the Preliminary Agreement, Samarco, Vale and BHP Billiton Brasil agreed interim security (Interim Security) comprising R$1.3 billion (approximately US$335 million) in insurance bonds, R$100 million (approximately US$25 million) in liquid assets, a charge of R$800 million (approximately US$210 million) over Samarco s assets, and R$200 million (approximately US$50 million) to be allocated within the next four years through existing Framework Agreement programs in the Municipalities of Barra Longa, Rio Doce, Santa Cruz do Escalvado and Ponte Nova.

On 24 January 2017, Samarco, Vale and BHP Billiton Brasil provided the Interim Security to the Court which was to remain in place until the earlier of 30 June 2017 and the date that a final settlement arrangement was agreed between the Federal Prosecutors, and Samarco, Vale and BHP Billiton Brasil. Following a series of extensions, on 25 June 2018, the parties reached an agreement in the form of the Governance Agreement (summarised below).

Governance Agreement

On 25 June 2018 Samarco, Vale, BHP Billiton Brasil, the other parties to the Framework Agreement, the Public Prosecutors Office and the Public Defence Office agreed an arrangement which settles the R$20 billion (approximately US$5.2 billion) public civil claim, enhances community participation in decisions related to Programs under the Framework Agreement and establishes a process to renegotiate the Programs over two years to progress settlement of the R$155 billion (approximately US$40 billion) Federal Public Prosecution Office claim (Governance Agreement).

Renegotiation of the Programs will be based on certain agreed principles such as full reparation consistent with Brazilian law, the requirement for a technical basis for any proposed changes, consideration of findings from experts appointed by Samarco, Vale and BHP Billiton Brasil, consideration of findings from experts appointed by Prosecutors and consideration of feedback from impacted communities. During the renegotiation period and up until revisions to the Programs are agreed, the Fundação Renova will continue to implement the Programs in accordance with the terms of the Framework Agreement and the Governance Agreement.

The Governance Agreement was ratified by the 12th Federal Court of Minas Gerais on 8 August 2018 settling the R$20 billion (approximately US$5.2 billion) public civil claim and suspending the R$155 billion (approximately US$40 billion) Federal Public Prosecution Office claim for a period of two years from the date of ratification.

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Interim Security provided under the Preliminary Agreement is maintained for a period of 30 months under the Governance Agreement, after which Samarco, Vale and BHP Billiton Brasil will be required to provide security of an amount equal to the Fundação Renova s annual budget up to a limit of R$2.2 billion (approximately US$570 million).

Other

As at 30 June 2018, Samarco has recognised provisions of US$0.2 billion (30 June 2017: US$0.3 billion), in addition to its obligations under the Framework Agreement, based on currently available information. The magnitude, scope and timing of these additional costs are subject to a high degree of uncertainty and Samarco has indicated that it anticipates that it will incur future costs beyond those provided. These uncertainties are likely to continue for a significant period and changes to key assumptions could result in a material change to the amount of the provision in future reporting periods. Any such unrecognised obligations are therefore contingent liabilities and, at present, it is not practicable to estimate their magnitude or possible timing of payment. Accordingly, it is also not possible to provide a range of possible outcomes or a reliable estimate of total potential future exposures at this time.

Legal

The following matters are disclosed as contingent liabilities and given the status of proceedings it is not possible to provide a range of possible outcomes or a reliable estimate of potential future exposures for Samarco, unless otherwise stated. Ultimately, all the legal matters disclosed as contingent liabilities could have a material adverse impact on Samarco s business, competitive position, cash flows, prospects, liquidity and shareholder returns.

Public civil claim

Among the claims brought against Samarco, was a public civil claim commenced by the Federal Government of Brazil, states of Espírito Santo, Minas Gerais and other public authorities on 30 November 2015, seeking the establishment of a fund of up to R$20 billion (approximately US$5.2 billion) in aggregate for clean-up costs and damages.

Ratification of the Governance Agreement on 8 August 2018 settled this public civil claim, including a R$1.2 billion (approximately US$310 million) injunction order.

Federal Public Prosecution Office claim

Samarco is among the defendants named in a claim brought by the Federal Public Prosecution Office on 3 May 2016, seeking R$155 billion (approximately US$40 billion) for reparation, compensation and moral damages in relation to the Samarco dam failure.

The 12th Federal Court previously suspended the Federal Public Prosecution Office claim, including a R$7.7 billion (approximately US$2 billion) injunction request. Suspension of the claim continues for a period of two years from the date of ratification of the Governance Agreement on 8 August 2018.

United Stated class action complaint Samarco bond holders

On 14 November 2016, a putative class action complaint (Complaint) was filed in the U.S. District Court for the Southern District of New York on behalf of all purchasers of Samarco s ten-year bond notes (Plaintiff) due 2022 2024 between 31 October 2012 and 30 November 2015 against Samarco and the former chief executive officer of Samarco (Defendants).

The Complaint was subsequently amended to include BHP Billiton Limited, BHP Billiton Plc, BHP Billiton Brasil Ltda and Vale S.A. and officers of Samarco, including four of Vale S.A. and BHP Billiton Brasil Ltda s nominees to the Samarco Board (Defendants). On 5 April 2017, the Plaintiff dismissed the claims against the individuals. The remaining corporate defendants filed a joint motion to dismiss the Plaintiff s Complaint on 26 June 2017.

On 7 March 2018, the District Court granted the Defendants motion to dismiss the Complaint, however, the District Court granted the Plaintiff leave to file a second amended Complaint, which it did on 21 March 2018. On 21 May 2018, the Defendants moved to dismiss the Complaint. The Defendants motion is pending before the District Court.

Criminal charges

The Federal Prosecutors Office has filed criminal charges against Samarco, Vale and BHP Billiton Brasil and certain employees and former employees of Samarco (Affected Individuals) in the Federal Court of Ponte Nova, Minas Gerais. On 2 March 2017, Samarco filed its preliminary defences. Samarco rejects outright the charges against the company and the Affected Individuals and will defend the charges.

Other claims

The civil public actions filed by State Prosecutors in Minas Gerais (claiming damages of approximately R$7.5 billion, US$2 billion), State Prosecutors in Espírito Santo (claiming damages of approximately R$2 billion, US$520 million), and public defenders in Minas Gerais (claiming damages of approximately R$10 billion, US$2.6 billion), have been consolidated before the 12th Federal Court and suspended. The Governance Agreement provides for a process to review whether these civil public claims should be terminated or suspended.

Samarco is among the companies named as defendants in a number of legal proceedings initiated by individuals, non-governmental organisations (NGOs), corporations and governmental entities in Brazilian Federal and State courts following the Samarco dam failure. The lawsuits include claims for compensation, environmental rehabilitation and violations of Brazilian environmental and other laws, among other matters. The lawsuits seek various remedies including rehabilitation costs, compensation to injured individuals and families of the deceased, recovery of personal and property losses, moral damages and injunctive relief. In addition, government inquiries and investigations relating to the Samarco dam failure have been commenced by numerous agencies of the Brazilian government and are ongoing.

Additional lawsuits and government investigations relating to the Samarco dam failure could be brought against Samarco.

Samarco insurance

Samarco has standalone insurance policies in place with Brazilian and global insurers. Samarco has notified insurers, including those covering Samarco s property, project and liability risks. Insurers loss adjusters or claims representatives continue to investigate and assist with the claims process. An insurance receivable has not been recognised by Samarco for any recoveries under insurance arrangements at 30 June 2018.

Samarco commitments

At 30 June 2018, Samarco has commitments of US$1.1 billion (30 June 2017: US$1.5 billion). Following the dam failure Samarco invoked force majeure clauses in a number of long-term contracts with suppliers and service providers to suspend contractual obligations.

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Samarco non-dam failure related contingent liabilities

The following non-dam failure related contingent liabilities pre-date and are unrelated to the Samarco dam failure. Samarco is currently contesting both of these matters in the Brazilian courts. Given the status of these tax matters, the timing of resolution and potential economic outflow for Samarco is uncertain.

Brazilian Social Contribution Levy

Samarco has received tax assessments for the alleged non-payment of Brazilian Social Contribution Levy for the calendar years 2007 2014 totalling approximately R$5.4 billion (approximately US$1.4 billion).

Brazilian corporate income tax rate

Samarco has received tax assessments for alleged incorrect calculation of Corporate Income Tax (IRPJ) in respect of the 2000 2003 and 2007 2014 income years totalling approximately R$4.2 billion (approximately US$1.1 billion).

4 Expenses and other income

	2018 US$M	2017 US$M	2016 US$M
Employee benefits expense:			
Wages, salaries and redundancies	**3,653**	3,392	3,324
Employee share awards	**123**	105	140
Social security costs	**4**	3	2
Pension and other post-retirement obligations	**292**	273	221
Less employee benefits expense classified as exploration and evaluation expenditure	**(82)**	(79)	(82)
Changes in inventories of finished goods and work in progress	**(142)**	(743)	287
Raw materials and consumables used	**4,389**	3,830	3,985
Freight and transportation	**2,294**	1,786	1,648
External services	**5,217**	4,341	4,370
Third party commodity purchases	**1,452**	1,151	994
Net foreign exchange (gains)/losses	**(93)**	103	(153)
Government royalties paid and payable	**2,168**	1,986	1,349
Exploration and evaluation expenditure incurred and expensed in the current period	**641**	610	419
Depreciation and amortisation expense	**6,288**	6,184	6,210
Net impairments:			
Property, plant and equipment	**318**	160	170
Goodwill and other intangible assets	**14**	33	16
Available for sale financial assets	**1**		
Operating lease rentals	**421**	391	372
All other operating expenses	**1,078**	989	819
Total expenses	**28,036**	24,515	24,091
Losses/(Gains) on disposal of property, plant and equipment	**10**	(286)	20
Other income	**(257)**	(376)	(452)

Total other income	**(247)**	(662)	(432)

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Other income is generally income earned from transactions outside the course of the Group s ordinary activities and may include certain management fees from non-controlling interests and joint venture arrangements, dividend income, royalties, commission income and gains or losses on divestment of subsidiaries or operations.

Recognition and measurement

Income is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and they can be reliably measured. Dividends are recognised upon declaration.

5 Income tax expense

	2018 US$M	2017 US$M	2016 US$M
Total taxation expense comprises:			
Current tax expense	**5,052**	4,412	2,621
Deferred tax expense/(benefit)	**1,955**	31	(518)
	7,007	4,443	2,103

	2018 US$M	2017 US$M	2016 US$M
Factors affecting income tax expense for the year			
Income tax expense differs to the standard rate of corporation tax as follows:			
Profit before taxation	**14,751**	11,137	1,791
Tax on profit at Australian prima facie tax rate of 30 per cent	**4,425**	3,341	537
Impact of US tax reform			
Tax on remitted and unremitted foreign earnings [1]	**194**		
Non-tax effected operating losses and capital gains	**834**		
Tax rate changes	**1,390**		
Recognition of previously unrecognised tax assets	**(95)**		
Other	**(3)**		
Subtotal	**2,320**		
Other items not related to US tax reform			
Tax on remitted and unremitted foreign earnings	**401**	478	(376)
Non-tax effected operating losses and capital gains	**721**	242	457
Tax rate changes	**(79)**	25	14
Amounts (over)/under provided in prior years	**(51)**	175	(4)
Foreign exchange adjustments	**(152)**	88	125
Investment and development allowance	**(180)**	(53)	(36)
Tax effect of profit/(loss) from equity accounted investments, related impairments and expenses [2]	**(44)**	(82)	631
Recognition of previously unrecognised tax assets	**(170)**	(21)	(36)

Impact of tax rates applicable outside of Australia	**(484)**	(136)	5
Other	**172**	219	541
Income tax expense	**6,879**	4,276	1,858
Royalty-related taxation (net of income tax benefit)	**128**	167	245
Total taxation expense	**7,007**	4,443	2,103

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(1) Comprising US$797 million repatriation tax and US$603 million of previously unrecognised tax credits.

(2) The profit/(loss) from equity accounted investments, related impairments and expenses is net of income tax. This item removes the prima facie tax effect on such profits, related impairments and expenses.

Income tax recognised in other comprehensive income is as follows:

	2018 US$M	2017 US$M	2016 US$M
Income tax effect of:			
Items that may be reclassified subsequently to the income statement:			
Available for sale investments:			
Net valuation gains/(losses) taken to equity	**(3)**		(1)
Cash flow hedges:			
Gains/(losses) taken to equity	**(25)**	(105)	170
(Gains)/losses transferred to the income statement	**64**	129	(199)
Income tax credit/(charge) relating to items that may be reclassified subsequently to the income statement	**36**	24	(30)
Items that will not be reclassified to the income statement:			
Remeasurement gains/(losses) on pension and medical schemes	**(22)**	(12)	5
Employee share awards transferred to retained earnings on exercise	**8**	(14)	(22)
Income tax charge relating to items that will not be reclassified to the income statement	**(14)**	(26)	(17)
Total income tax credit/(charge) relating to components of other comprehensive income [1]	**22**	(2)	(47)

(1) Included within total income tax relating to components of other comprehensive income is US$17 million relating to deferred taxes and US$5 million relating to current taxes (2017: US$12 million and US$(14) million; 2016: US$(25) million and US$(22) million).

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Recognition and measurement

Taxation on the profit/(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 effect is also recognised in equity.

Current tax

Current tax is the expected tax on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is not recognised for temporary differences relating to:

initial recognition of goodwill;

initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

investment in subsidiaries, associates and jointly controlled entities where the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied when the asset is realised or the liability is settled, based on the laws

Royalty-related taxation

Royalties and resource rent taxes are treated as taxation arrangements (impacting income tax expense/(benefit)) 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 temporary differences. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included in expenses.

that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset and when the tax balances are related to taxes levied by the same tax authority and the Group intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

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Uncertain tax and royalty matters

The Group operates across many tax jurisdictions. Application of tax law can be complex and requires judgement to assess risk and estimate outcomes, particularly in relation to the Group s cross-border operations and transactions. The evaluation of tax risks considers both amended assessments received and potential sources of challenge from tax authorities. The status of proceedings for these matters will impact the ability to determine the potential exposure and in some cases, it may not be possible to determine a range of possible outcomes or a reliable estimate of the potential exposure.

The Group has unresolved tax and royalty matters for which the timing of resolution and potential economic outflow are uncertain. Tax and royalty matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities and legal proceedings.

Tax and royalty obligations assessed as having probable future economic outflows capable of reliable measurement are provided for at 30 June 2018. Matters with a possible economic outflow and/or presently incapable of being measured reliably are contingent liabilities and disclosed in note 32 Contingent liabilities . Irrespective of whether the potential economic outflow of the matter has been assessed as probable or possible, individually significant matters are included below, to the extent that disclosure does not prejudice the Group.

Transfer pricing Sales of commodities to BHP Billiton Marketing AG in Singapore

The Group is currently in dispute with the Australian Taxation Office (ATO) regarding the price at which the Group s Australian entities sell commodities to the Group s principal marketing entity in Singapore, BHP Billiton Marketing AG.

In April 2014, the Group received amended assessments for 2003 2008 totalling US$267 million (A$362 million) (inclusive of interest and penalties). In May 2016, the Group received further amended assessments totalling US$396 million (A$537 million) (inclusive of interest and penalties) for 2009 2013. The ATO is currently auditing the 2014 2016 income years.

The Group has formally objected to the amended assessments. The ATO has yet to advise its decision on the objections to these amended assessments.

The Group has made payments of approximately US$221 million (A$276 million) to the ATO in relation to the assessments under dispute pending resolution of the matter. As a consequence of the completion of the transfer pricing audit for 2009 2013, in June 2016, the Group also received an amended assessment in relation to its 2013 MRRT return totalling US$105 million (A$143 million) (inclusive of interest and penalties).

The Group has formally objected to the amended assessment and has made a partial payment of US$39 million (A$52 million) in respect of the MRRT amended assessment.

Controlled Foreign Companies dispute

The Group is currently in dispute with the ATO regarding whether profits earned globally by the Group s marketing organisation from the on-sale of commodities acquired from Australian subsidiaries of BHP Billiton Plc are subject to top-up tax in Australia under the Controlled Foreign Companies rules.

In June 2011 and December 2014, the Group received amended assessments relating to the 2006 2010 income years. The Group has objected to these amended assessments. On 30 June 2016, the Group received the ATO s decision relating to the Group s objection against these amended assessments. The objections were allowed in part by the ATO. The ATO also determined that the Group was not liable for any penalties. The dispute concerning the disallowed objections was heard before the full Federal Court in May 2018 and we are awaiting judgement. It is estimated the primary tax subject to dispute for the 2006 2010 income years will total US$32 million (A$43 million).

	Between May 2016 and May 2017, the Group received amended assessments for primary tax of US$29 million (A$39 million) relating to the 2012 2015 income years. The Group has formally objected to the amended assessments.
Samarco tax assessments	Details of uncertain tax and royalty matters relating to Samarco are disclosed in note 3 Significant events Samarco dam failure .

Key judgements and estimates

Income tax classification

The Group s accounting policy for taxation, including royalty-related taxation, requires management s judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost.

Deferred tax

Judgement is required to determine the amount of deferred tax assets that are recognised based on the likely timing and the level of future taxable profits. The Group assesses the recoverability of recognised and unrecognised deferred taxes, including losses in Australia, the United States and Canada on a consistent basis, using assumptions and projected cash flows as applied in the Group impairment process for associated operations.

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 is not expected to occur in the foreseeable future.

Uncertain tax matters

Judgements are required about the application of income tax legislation and its interaction with income tax accounting principles. These judgements 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.

Where the final tax outcomes are different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which the determination is made.

Measurement of uncertain tax and royalty matters considers a range of possible outcomes, including assessments received from tax authorities. Where management is of the view that potential liabilities have a low probability of crystallising, or it is not possible to quantify them reliably, they are disclosed as contingent liabilities (refer to note 32 Contingent liabilities).

US tax reform

As per note 2 Exceptional items , the impact of the TCJA has been included in the Financial Statements. The TCJA includes a number of complex provisions, the application of which are potentially subject to further implementation and regulatory guidance, and possible elections. Judgements are required about the application of the TCJA and its

interaction with income tax accounting principles.

The Group has made preliminary determinations, based on currently available implementation guidance. However, judgements made are subject to risk and uncertainty, hence there is a possibility that changes in circumstances or future regulatory guidance may alter the judgements made, which may potentially impact the amount of deferred or current taxes recognised on the balance sheet and the amount of other tax balances not yet recognised.

The significant judgements and estimates include:

The TCJA requires mandatory deemed repatriation of post-1986 undistributed earnings and profits from specific non-US subsidiaries. In assessing the potential tax charge, the Group has made certain assumptions as to offsets available under the TCJA, including the use of available foreign tax credits to partially offset the deemed repatriation tax liability.

The US will continue to tax foreign income from partnerships on a worldwide basis with the ability to offset US tax liabilities on foreign earnings with a credit for taxes paid in foreign jurisdictions. The reduction in the US corporate tax rate and the revised differential in tax rates with other jurisdictions impacts the forecasted utilisation of these foreign tax credits. The Group has made certain assumptions as to the utilisation of available foreign tax credits based on an assessment of probable future US income tax.

Where further clarifying regulatory guidance is issued, this may potentially impact the assumptions made and result in a different outcome.

6 Earnings per share

	2018	2017	2016
Earnings/(loss) attributable to BHP shareholders (US$M)			
- Continuing operations	**6,652**	6,375	(539)
- Total	**3,705**	5,890	(6,385)
Weighted average number of shares (Million)			
- Basic	**5,323**	5,323	5,322
- Diluted	**5,337**	5,336	5,322
Basic earnings/(loss) per ordinary share (US cents)			
- Continuing operations	**125.0**	119.8	(10.2)
- Total	**69.6**	110.7	(120.0)
Diluted earnings/(loss) per ordinary share (US cents)			
- Continuing operations	**124.6**	119.5	(10.2)
- Total	**69.4**	110.4	(120.0)

Refer to note 26 Discontinued operations for basic earnings per share and diluted earnings per share for Discontinued operations.

Earnings on American Depositary Shares represent twice the earnings for BHP Billiton Limited or BHP Billiton Plc ordinary shares.

Recognition and measurement

Diluted earnings attributable to BHP shareholders are equal to the earnings attributable to BHP shareholders.

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 Employee Share Ownership Plan Trust and the

BHP Billiton Limited Employee Equity Trust.

For the purposes of calculating diluted earnings per share, the effect of 14 million dilutive shares has been taken into account for the year ended 30 June 2018 (2017: 13 million shares; 2016: nil). The Group s only potential dilutive ordinary shares are share awards granted under the employee share ownership plans for which terms and conditions are described in note 22 Employee share ownership plans . Diluted earnings per share calculation excludes instruments which are considered antidilutive.

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The conversion of options and share rights would decrease the loss per share for the year ended 30 June 2016 and therefore its impact has been excluded from the diluted earnings per share calculation.

At 30 June 2018, there are no instruments which are considered antidilutive (2017: nil).

Working capital

7 Trade and other receivables

	2018	2017
	US$M	US$M
Trade receivables	**1,857**	1,855
Loans to equity accounted investments	**13**	644
Other receivables	**1,406**	1,140
Total	**3,276**	3,639
Comprising:		
Current	**3,096**	2,836
Non-current	**180**	803

Recognition and measurement

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less an allowance for impairment.

The collectability of trade receivables is assessed continuously. At the reporting date, specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at reporting period-end. Individual receivables are written off when management deems them unrecoverable. The net carrying amount of trade and other receivables approximates their fair values.

Credit risk

Trade receivables generally have terms of less than 30 days. The Group has no material concentration of credit risk with any single counterparty and is not dominantly exposed to any individual industry.

Credit risk can arise 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, proactive monitoring of exposures against these limits and requirements triggering secured payment terms. As part of these processes, the credit exposures with all counterparties are regularly monitored and assessed on a timely basis. The credit quality of the Group s customers is reviewed and the solvency of each debtor and their ability to pay on the receivable is considered in assessing receivables for impairment.

Receivables are deemed to be past due or impaired in accordance with the Group s terms and conditions. These terms and conditions are determined on a case-by-case basis with reference to the customer s credit quality, payment

performance and prevailing market conditions. At 30 June 2018, trade receivables are stated net of provisions for doubtful debts of US$1 million (2017: US$ nil). As of 30 June 2018, trade receivables of US$32 million (2017: US$19 million) were past due but not impaired. The majority of these receivables were less than 30 days overdue. As at the reporting date, there are no indications that the debtors will not meet their payment obligations.

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8 Trade and other payables

	2018 US$M	2017 US$M
Trade creditors	**4,574**	3,996
Other creditors	**1,406**	1,560
Total	**5,980**	5,556
Comprising:		
Current	**5,977**	5,551
Non-current	**3**	5

9 Inventories

	2018 US$M	2017 US$M	Definitions
Raw materials and consumables	**1,266**	1,241	Spares, consumables and other supplies yet to be utilised in the production process or in the rendering of services.
Work in progress	**2,965**	2,852	Commodities currently in the production process that require further processing by the Group to a saleable form.
Finished goods	**674**	675	Commodities held-for-sale and not requiring further processing by the Group.
Total [(1)]	**4,905**	4,768	
Comprising:			
Current	**3,764**	3,673	
Non-current	**1,141**	1,095	Inventories classified as non-current are not expected to be utilised or sold within 12 months after the reporting date.

(1) Inventory write-downs of US$18 million were recognised during the year (2017: US$112 million; 2016: US$118 million). Inventory write-downs of US$2 million made in previous periods were reversed during the year (2017: US$19 million; 2016: US$118 million).

Recognition and measurement

Regardless of the type of inventory and its stage in the production process, inventories 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 costs of purchasing raw materials and costs of production, including attributable mining and manufacturing overheads taking into consideration normal operating capacity.

Minerals inventory quantities are assessed primarily through surveys and assays, while petroleum inventory quantities are derived through flow rate or tank volume measurement and the composition is derived via sample analysis.

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Key judgements and estimates

Accounting for inventory involves the use of judgements and estimates, particularly related to the measurement and valuation of inventory on hand within the production process. Certain estimates, including expected metal recoveries and work in progress volumes, are calculated by engineers using available industry, engineering and scientific data. Estimates used are periodically reassessed by the Group taking into account technical analysis and historical performance. Changes in estimates are adjusted for on a prospective basis.

Resource assets

10 Property, plant and equipment

	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
Net book value 30 June 2018						
At the beginning of the financial year	**8,547**	**49,427**	**15,557**	**5,536**	**1,430**	**80,497**
Additions [1][2]	**(20)**	**110**	**873**	**5,423**	**258**	**6,644**
Depreciation for the year	**(548)**	**(6,467)**	**(730)**			**(7,745)**
Impairments, net of reversals [3]	**(9)**	**(507)**	**(260)**		**(62)**	**(838)**
Disposals	**(7)**	**(26)**	**(36)**	**(1)**	**(9)**	**(79)**
Transferred to assets held for sale	**(21)**	**(4,426)**	**(5,563)**	**(662)**		**(10,672)**
Exchange variations taken to reserve		**1**				**1**
Transfers and other movements	**210**	**2,773**	**(867)**	**(2,742)**		**(626)**
At the end of the financial year	**8,152**	**40,885**	**8,974**	**7,554**	**1,617**	**67,182**
Cost	**12,525**	**91,037**	**13,212**	**7,554**	**2,400**	**126,728**
Accumulated depreciation and impairments	**(4,373)**	**(50,152)**	**(4,238)**		**(783)**	**(59,546)**
Net book value 30 June 2017						
At the beginning of the financial year	9,005	47,766	15,942	9,561	1,701	83,975
Additions [1][2]		809	416	3,773	314	5,312
Depreciation for the year	(552)	(6,419)	(765)			(7,736)
Impairments, net of reversals	(8)	(83)			(69)	(160)
Disposals	(27)	(56)	(25)	(1)	(152)	(261)
Divestment and demerger of subsidiaries and operations	(47)	(105)		(42)		(194)
Exchange variations taken to reserve			(1)			(1)
Transfers and other movements	176	7,515	(10)	(7,755)	(364)	(438)
At the end of the financial year	8,547	49,427	15,557	5,536	1,430	80,497
Cost	12,387	106,332	31,196	5,538	2,213	157,666

Accumulated depreciation and impairments	(3,840)	(56,905)	(15,639)	(2)	(783)	(77,169)

(1) Includes net foreign exchange gains/(losses) related to the closure and rehabilitation provisions. Refer to note 13 Closure and rehabilitation provisions .

(2) Property, plant and equipment of US$3 million (2017: US$593 million; 2016: US$ nil) was acquired under finance lease. This is a non-cash investing transaction that has been excluded from the Consolidated Cash Flow Statement.

(3) Includes impairment charges related to Onshore US assets of US$520 million (2017: US$ nil). Refer to note 26 Discontinued operations .

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Recognition and measurement

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 costs of bringing the asset to the location and the condition necessary for operation and the estimated future costs of closure and rehabilitation of the facility.

Equipment leases

Assets held under lease, which result in the Group receiving substantially all of the risk and rewards of ownership are capitalised as property, plant and equipment at the lower of the fair value of the leased assets or the estimated present value of the minimum lease payments. Leased assets are depreciated on the same basis as owned assets or, where shorter, the lease term. The corresponding finance lease obligation is included within interest bearing liabilities. The interest component is charged to the income statement over the lease term to reflect a constant rate of interest over the remaining balance of the obligation.

Operating leases are not capitalised and rental payments are included in the income statement on a straight-line basis over the lease term. Ongoing contracted commitments under finance and operating leases are disclosed within note 31 Commitments .

Exploration and evaluation

Exploration costs are incurred to discover mineral and petroleum resources. Evaluation costs are incurred to assess the technical feasibility and commercial viability of resources found.

Exploration and evaluation expenditure 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 that was previously acquired as an asset acquisition or 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 that permits a reasonable assessment of the existence of commercially recoverable reserves.

A regular review of each area of interest is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that area. Capitalised costs are only carried forward to the extent that they are expected to be recovered through the successful exploitation of the area of interest or alternatively by its sale. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the income statement.

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Key judgements and estimates

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 that 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. These 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

When proven mineral reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as assets under construction within property, plant and equipment. All subsequent development expenditure is capitalised and classified as assets under construction, provided commercial viability conditions continue to be satisfied.

The Group may use funds sourced from external parties to finance the acquisition and development of assets and operations. Finance costs are expensed as incurred, except where they relate to the financing of construction or development of qualifying assets. Borrowing costs directly attributable to acquiring or constructing a qualifying asset are capitalised during the development phase. Development expenditure is net of proceeds from the saleable material 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 and depreciation commences.

Key judgements and estimates

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 as to future events and circumstances, including reserve estimates, existence of an accessible market and forecast prices and cash flows. 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.

Other mineral assets

Other mineral assets comprise:

- capitalised exploration, evaluation and development expenditure for assets in production;
- mineral rights and petroleum interests acquired;
- capitalised development and production stripping costs.

Overburden removal costs

The process of removing overburden and other waste materials to access mineral deposits is referred to as stripping. Stripping is necessary to obtain access to mineral deposits and occurs throughout the life of an open-pit mine. Development and production stripping costs are classified as other mineral assets in property, plant and equipment.

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Stripping costs are accounted for separately for individual components of an ore body. The determination of components is dependent on the mine plan and other factors, including the size, shape and geotechnical aspects of an ore body. The Group accounts for stripping activities as follows:

Development stripping costs

These are initial overburden removal costs incurred to obtain access to mineral deposits that will be commercially produced. These costs are capitalised when it is probable that future economic benefits (access to mineral ores) will flow to the Group and costs can be measured reliably.

Once the production phase begins, capitalised development stripping costs are depreciated using the units of production method based on the proven and probable reserves of the relevant identified component of the ore body to which the initial stripping activity benefits.

Production stripping costs

These are post initial overburden removal costs incurred during the normal course of production activity, which commences after the first saleable minerals have been extracted from the component. Production stripping costs can give rise to two benefits, the accounting for which is outlined below:

	Production stripping activity	
Benefits of stripping activity	Extraction of ore (inventory) in current period.	Improved access to future ore extraction.
Period benefited	Current period	Future period(s)
Recognition and measurement criteria	When the benefits of stripping activities are realised in the form of inventory produced; the associated costs are recorded in accordance with the Group s inventory accounting policy.	When the benefits of stripping activities are improved access to future ore; production costs are capitalised when all the following criteria are met: the production stripping activity improves access to a specific component of the ore body and it is probable that economic benefits arising from the improved access to future ore production will be realised; the component of the ore body for which access has been improved can be identified;

costs associated with that component can be measured reliably.

Allocation of costs Production stripping costs are allocated between the inventory produced and the production stripping asset using a life-of-component waste-to-ore (or mineral contained) strip ratio. When the current strip ratio is greater than the estimated life-of-component ratio a portion of the stripping costs is capitalised to the production stripping asset.

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		Production stripping activity
Asset recognised from stripping activity	Inventory	Other mineral assets within property, plant and equipment.
Depreciation basis	Not applicable	On a component-by-component basis using the units of production method based on proven and probable reserves.

Key judgements and estimates

The identification of components of an ore body, as well as estimation of stripping ratios and mineral reserves by component require critical accounting judgements and estimates to be made by management. Changes to estimates related to life-of-component waste-to-ore (or mineral contained) strip ratios and the expected ore production from identified components are accounted for prospectively and may affect depreciation rates and asset carrying values.

Depreciation

Depreciation of assets, other than land, assets under construction and capitalised exploration and evaluation that are not depreciated, is calculated using either the straight-line (SL) method or units of production (UoP) method, net of residual values, over the estimated useful lives of specific assets. The depreciation method and rates applied to specific assets reflect the pattern in which the asset s benefits are expected to be used by the Group. The Group s reported reserves are used to determine UoP depreciation unless doing so results in depreciation charges that do not reflect the asset s useful life. Where this occurs, alternative approaches to determining reserves are applied, such as using management s expectations of future oil and gas prices rather than yearly average prices, to provide a phasing of periodic depreciation charges that better reflects the asset s expected useful life.

Where assets are dedicated to a mine or petroleum lease, the below useful lives are subject to the lesser of the asset category s useful life and the life of the mine or petroleum lease, unless those assets are readily transferable to another productive mine or lease.

Key judgements and estimates

The estimation of useful lives, residual values and depreciation methods requires significant management judgement and is reviewed annually. Any changes to useful lives may affect prospective depreciation rates and asset carrying values.

The table below summarises the principal depreciation methods and rates applied to major asset categories by the Group.

Category	Buildings	Plant and equipment	Mineral rights and petroleum interests	Capitalised exploration, evaluation and development expenditure

Typical depreciation methodology	SL	SL	UoP	UoP
Depreciation rate	25-50 years	3-30 years	Based on the rate of depletion of reserves	Based on the rate of depletion of reserves

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Impairment of non-current assets

Recognition and measurement

Impairment tests for all assets are performed when there is an indication of impairment, although goodwill is tested at least annually. 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.

Previously impaired assets (excluding goodwill) are reviewed for possible reversal of previous impairment at each reporting date. Impairment reversal cannot exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset or cash generating units (CGUs). There were no reversals of impairment in the current or prior year.

How recoverable amount is calculated

The recoverable amount is the higher of an asset s fair value less cost of disposal (FVLCD) and its value in use (VIU). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Valuation methods

Fair value less cost of disposal

FVLCD is an estimate of the amount that a market participant would pay for an asset or CGU, less the cost of disposal. Fair value for mineral and petroleum assets is generally determined using independent market assumptions to calculate the present value of the estimated future post-tax cash flows expected to arise from the continued use of the asset, including the anticipated cash flow effects of any capital expenditure to enhance production or reduce cost, and its eventual disposal where a market participant may take a consistent view. Cash flows are discounted using an appropriate post-tax market discount rate to arrive at a net present value of the asset, which is compared against the asset s carrying value.

Value in use

VIU 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. VIU 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 FVLCD and consequently the VIU calculation is likely to give a different result (usually lower) to a FVLCD calculation.

Key judgements and estimates

In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of future post-tax cash flows. These estimates require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets at each

reporting date. The estimates are made from the perspective of a market participant and include prices, future production volumes, operating costs, tax attributes and discount rates.

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11 Intangible assets

	2018 Goodwill US$M	2018 Other intangibles US$M	2018 Total US$M	2017 Goodwill US$M	2017 Other intangibles US$M	2017 Total US$M
Net book value						
At the beginning of the financial year	**3,269**	**699**	**3,968**	3,273	846	4,119
Additions		**50**	**50**		81	81
Amortisation for the year		**(197)**	**(197)**		(195)	(195)
Impairments for the year (1)	**(2,339)**	**(14)**	**(2,353)**		(33)	(33)
Disposals	**(16)**	**(7)**	**(23)**	(4)		(4)
Transferred to assets held for sale	**(667)**		**(667)**			
At the end of the financial year (2)	**247**	**531**	**778**	3,269	699	3,968
Cost	**247**	**1,665**	**1,912**	3,269	1,722	4,991
Accumulated amortisation and impairments		**(1,134)**	**(1,134)**		(1,023)	(1,023)

(1) Includes impairment charges related to Onshore US assets of US$2,339 million (2017: US$ nil). Refer to note 26 Discontinued operations .

(2) The Group s aggregate net carrying value of goodwill for Continuing operations is US$247 million (2017: US$247 million), representing less than one per cent of net equity at 30 June 2018 (2017: less than one per cent). The goodwill is allocated across a number of cash-generating units (CGUs).

Recognition and measurement

Goodwill

Where the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities acquired, the difference is treated as goodwill. Where consideration is less than the fair value of acquired net assets, the difference is recognised immediately in the income statement. Goodwill is not amortised and is measured at cost less any impairment losses.

Other intangibles

The Group capitalises amounts paid for the acquisition of identifiable intangible assets, such as software, licences and initial payments for the acquisition of mineral lease assets, where it is considered that they will contribute to future periods through revenue generation or reductions in cost. These assets, classified as finite life intangible assets, are carried in the balance sheet at the fair value of consideration paid less accumulated amortisation and impairment charges. Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives. The estimated useful lives are generally no greater than eight years.

Initial payments for the acquisition of intangible mineral lease assets are capitalised and amortised over the term of the permit. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area. Capitalised costs are only carried forward to the extent that they are expected to be recovered through the successful exploitation of the area of interest or alternatively by its sale. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the income statement.

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Key judgements and estimates

Determining the recoverable amount of intangible assets may require significant management judgement. If a judgement is made that recovery of previously capitalised intangible mineral lease assets is unlikely, the relevant amount will be written off to the income statement. This 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.

Where indicators of impairment exist for intangible assets, in the absence of quoted market prices, estimates are made regarding the present value of future post-tax cash flows. These estimates require significant management judgement and are subject to risk and uncertainty that may be beyond the control of the Group; hence, there is a possibility that changes in circumstances will materially alter projections, which may impact the recoverable amount of assets at each reporting date. The estimates are made from the perspective of a market participant and include prices, future production volumes, operating costs, tax attributes and discount rates.

12 Deferred tax balances

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

	2018 US$M	2017 US$M	2016 US$M
Net deferred tax asset/(liability)			
At the beginning of the financial year	**2,023**	1,823	(1,681)
Income tax (charge)/credit recorded in the income statement [1]	**(1,445)**	188	3,508
Income tax credit/(charge) recorded directly in equity	**17**	12	(25)
Other movements	**(26)**		21
At the end of the financial year	**569**	2,023	1,823

[1] Includes Discontinued operations income tax credit to the income statement of US$510 million (2017: US$219 million; 2016: US$2,990 million).

For recognition and measurement refer to note 5 Income tax expense .

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The composition of the Group s net deferred tax assets and liabilities 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		
	2018 US$M	2017 US$M	**2018 US$M**	2017 US$M	**2018 US$M**	2017 US$M	2016 US$M
Type of temporary difference							
Depreciation	**(2,756)**	(3,454)	**1,356**	1,411	**(752)**	391	(2,282)
Exploration expenditure	**492**	543			**51**	(22)	(3)
Employee benefits	**321**	379	**(2)**	3	**31**	(37)	56
Closure and rehabilitation	**1,627**	1,809	**(194)**	(230)	**218**	(151)	36
Resource rent tax	**468**	559	**1,328**	1,614	**(194)**	(189)	(8)
Other provisions	**141**	131	**(2)**	(1)	**(11)**	14	8
Deferred income	**21**	(2)		(10)	**(13)**	3	(49)
Deferred charges	**(374)**	(443)	**272**	322	**(119)**	(77)	62
Investments, including foreign tax credits	**546**	1,145	**691**	648	**615**	(17)	(284)
Foreign exchange gains and losses	**(120)**	(87)	**16**	69	**(20)**	(77)	(310)
Tax losses	**3,758**	5,352			**1,595**	(381)	(809)
Other	**(83)**	(144)	**7**	(61)	**44**	355	75
Total	**4,041**	5,788	**3,472**	3,765	**1,445**	(188)	(3,508)

The Group recognises the benefit of tax losses amounting to US$3,758 million (2017: US$5,352 million) only to the extent of anticipated future taxable income or gains in relevant jurisdictions. The amounts recognised in the Financial Statements in respect of each matter are derived from the Group s best judgements and estimates as described in note 5 Income tax expense .

The composition of the Group s unrecognised deferred tax assets and liabilities is as follows:

	2018 US$M	2017 US$M
Unrecognised deferred tax assets		
Tax losses and tax credits [(1)]	**3,028**	2,687
Investments in subsidiaries [(2)]	**1,659**	856
Deductible temporary differences relating to PRRT [(3)]	**2,282**	2,293
Mineral rights [(4)]	**2,263**	2,293
Other deductible temporary differences [(5)]	**437**	478
Total unrecognised deferred tax assets	**9,669**	8,607
Unrecognised deferred tax liabilities		
Investments in subsidiaries [(2)]	**2,216**	2,500
Taxable temporary differences relating to unrecognised deferred tax asset for PRRT [(3)]	**685**	694

Total unrecognised deferred tax liabilities	**2,901**	3,194

(1) At 30 June 2018, the Group had income and capital tax losses with a tax benefit of US$1,946 million (2017: US$1,844 million) and tax credits of US$1,082 million (2017: US$843 million), which are not recognised as deferred tax assets, because it is not probable that future taxable profits or capital gains will be available against which the Group can utilise the benefits.

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The gross amount of tax losses carried forward that have not been recognised are as follows:

Year of expiry	**Total US$M**
Income tax losses	
Not later than one year	**363**
Later than one year and not later than two years	**402**
Later than two years and not later than five years	**897**
Later than five years and not later than 10 years	**398**
Later than 10 years and not later than 20 years	**2,446**
Unlimited	**1,734**
	6,240
Capital tax losses	
Not later than one year	
Later than two years and not later than five years	**144**
Unlimited	**3,471**
Gross amount of tax losses not recognised	**9,855**
Tax effect of total losses not recognised	**1,946**

Of the US$1,082 million of tax credits, US$831 million expires not later than 10 years and US$251 million expires later than 10 years and not later than 20 years.

(2) The Group had deferred tax assets of US$1,659 million at 30 June 2018 (2017: US$856 million) and deferred tax liabilities of US$2,216 million (2017: US$2,500 million) associated with undistributed earnings of subsidiaries that 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 these differences will reverse in the foreseeable future.

(3) The Group had US$2,282 million of unrecognised deferred tax assets relating to Australian Petroleum Resource Rent Tax (PRRT) at 30 June 2018 (2017: US$2,293 million relating to Australian PRRT), with a corresponding unrecognised deferred tax liability for income tax purposes of US$685 million (2017: US$694 million). Recognition of a deferred tax asset for PRRT depends on benefits expected to be obtained from the deduction against PRRT liabilities.

(4) The Group had deductible temporary differences relating to mineral rights for which deferred tax assets of US$2,263 million at 30 June 2018 (2017: US$2,293 million) had not been recognised because it is not probable that future capital gains will be available, against which the Group can utilise the benefits. The deductible temporary differences do not expire under current tax legislation.

(5) The Group had deductible temporary differences for which deferred tax assets of US$437 million at 30 June 2018 (2017: US$478 million) had 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.

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13 Closure and rehabilitation provisions

	2018 US$M	2017 US$M
At the beginning of the financial year	**6,738**	6,502
Capitalised amounts for operating sites:		
Change in estimate	**35**	71
Exchange translation	**(122)**	99
Adjustments charged/(credited) to the income statement:		
Increases to existing and new provisions	**132**	127
Exchange translation	**(11)**	9
Released during the year	**(165)**	(120)
Other adjustments to the provision:		
Amortisation of discounting impacting net finance costs	**352**	330
Expenditure on closure and rehabilitation activities	**(178)**	(132)
Exchange variations impacting foreign currency translation reserve		(1)
Divestment and demerger of subsidiaries and operations		(146)
Transferred to liabilities held for sale	**(450)**	
Other movements	**(1)**	(1)
At the end of the financial year	**6,330**	6,738
Comprising:		
Current	**274**	255
Non-current	**6,056**	6,483
Operating sites	**5,120**	5,462
Closed sites	**1,210**	1,276

The Group is required to rehabilitate sites and associated facilities at the end of, or in some cases, during the course of production, to a condition acceptable to the relevant authorities, as specified in licence requirements and the Group s environmental performance requirements as set out within *Our Charter*.

The key components of closure and rehabilitation activities are:

- the removal of all unwanted infrastructure associated with an operation;

- the return of disturbed areas to a safe, stable, productive and self-sustaining condition, consistent with the agreed end land use.

Recognition and measurement

Provisions for closure and rehabilitation are recognised by the Group when:

it has a present legal or constructive obligation as a result of past events;

it is more likely than not that an outflow of resources will be required to settle the obligation;

the amount can be reliably estimated.

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Initial recognition

Closure and rehabilitation provisions are initially recognised when an environmental disturbance first occurs. The individual site provisions are an estimate of the expected value of future cash flows required to rehabilitate the relevant site using current restoration standards and techniques and taking into account risks and uncertainties. Individual site provisions are discounted to their present value using country specific discount rates aligned to the estimated timing of cash outflows.

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.

Subsequent remeasurement

The closure and rehabilitation asset, recognised within property, plant and equipment, is depreciated over the life of the operations. The value of the provision is progressively increased over time as the effect of discounting unwinds, resulting in an expense recognised in net finance costs.

The closure and rehabilitation liability is reviewed at each reporting date to assess if the estimate continues to reflect the best estimate of the obligation. If necessary, the provision is remeasured to account for factors, including:

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.

Changes to the closure and rehabilitation estimate are added to, or deducted from, the related asset and amortised on a prospective basis accordingly over the remaining life of the operation, generally applying the

units of production method.

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 that is probable and capable of reliable estimation.

Closed sites

Where future economic benefits are no longer expected to be derived through operation, changes to the associated closure and remediation costs are (credited)/charged to the income statement in the period identified. This amounted to a credit of US$(21) million in the year ended 30 June 2018 (2017: charge of US$33 million; 2016: charge of US$18 million).

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Key judgements and estimates

The recognition and measurement of closure and rehabilitation provisions requires the use of significant judgements and estimates, including, but not limited to:

- the extent (due to legal or constructive obligations) of potential activities required for the removal of infrastructure and rehabilitation activities;
- costs associated with future rehabilitation activities;
- applicable real discount rates;
- the timing of cash flows and ultimate closure of operations.

Rehabilitation activities are generally undertaken at the end of the production life at the individual sites. Remaining production lives range from 2-127 years with an average for all sites, weighted by current closure provision, of approximately 29 years. A 0.5 per cent decrease in the real discount rates applied at 30 June 2018 would result in an increase to the closure and rehabilitation provision of US$604 million, an increase in property, plant and equipment of US$524 million in relation to operating sites and an income statement charge of US$80 million in respect of closed sites. In addition, the change would result in an increase of approximately US$46 million to depreciation expense and an immaterial reduction in net finance costs for the year ending 30 June 2019.

Estimates can also be impacted by the emergence of new restoration techniques and experience at other operations. These uncertainties may result in future actual expenditure differing from the amounts currently provided for in the balance sheet.

Capital structure

14 Share capital

	BHP Billiton Limited			BHP Billiton Plc		
	2018 shares	2017 shares	2016 shares	**2018 shares**	2017 shares	2016 shares
Share capital issued						
Opening number of shares	**3,211,691,105**	3,211,691,105	3,211,691,105	**2,112,071,796**	2,112,071,796	2,112,071,796
Purchase of shares by ESOP	**(7,469,236)**	(6,481,292)	(6,538,404)	**(679,223)**	(225,646)	(17,000)

Trusts						
Employee share awards exercised following vesting	**7,339,522**	6,945,570	6,846,091	**711,705**	940,070	966,473
Movement in treasury shares under Employee Share Plans	**129,714**	(464,278)	(307,687)	**(32,482)**	(714,424)	(949,473)
Closing number of shares [(1)]	**3,211,691,105**	3,211,691,105	3,211,691,105	**2,112,071,796**	2,112,071,796	2,112,071,796
Comprising:						
Shares held by the public	**3,211,494,259**	3,211,623,973	3,211,159,695	**2,112,030,162**	2,111,997,680	2,111,283,256
Treasury shares	**196,846**	67,132	531,410	**41,634**	74,116	788,540
Other share classes						
Special Voting share of no par value	**1**	1	1			
Special Voting share of US$0.50 par value				**1**	1	1
5.5% Preference shares of £1 each				**50,000**	50,000	50,000
DLC Dividend share	**1**	1	1			

(1) No fully paid ordinary shares in BHP Billiton Limited or BHP Billiton Plc were issued on the exercise of Group Incentive Scheme awards during the period 1 July 2018 to 6 September 2018.

Recognition and measurement

Share capital of BHP Billiton Limited and BHP Billiton Plc is composed of the following classes of shares:

Ordinary shares fully paid
BHP Billiton Limited and BHP Billiton Plc ordinary shares fully paid of US$0.50 par value represent 99.99 per cent of the total number of shares. Any profit remaining after payment of preferred distributions is available for distribution to the holders of BHP Billiton Limited and BHP Billiton Plc ordinary shares in equal amounts per share.

Special Voting shares
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.

Preference shares
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 Limited.

DLC Dividend share
The DLC Dividend share supports the Dual Listed Company (DLC) equalisation principles in place since the merger in 2001, including the requirement that ordinary shareholders of BHP Billiton Plc and BHP Billiton Limited are paid equal cash dividends per share. This share enables efficient and flexible capital management across the DLC and was issued on 23 February 2016 at par value of US$10. On 20 September 2017 and on 21 March 2018, BHP Billiton Limited paid dividends of US$1,280 million and US$1,380 million, respectively to BHP Billiton (AUS) DDS Pty Ltd under the DLC dividend share arrangements. These

Treasury shares
Treasury shares are shares of BHP Billiton Limited and BHP Billiton Plc and are held by the ESOP Trusts for the purpose of issuing shares to employees under the Group s Employee Share Plans. Treasury shares are recognised at cost and deducted from equity, net of any income tax effects. When the treasury shares are subsequently sold or reissued, any consideration received, net of any directly attributable costs and income tax effects, is recognised as an increase in equity. Any difference between the carrying amount and the consideration, if reissued, is

dividends are eliminated on consolidation.	recognised in retained earnings.

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15 Other equity

	2018 US$M	2017 US$M	2016 US$M	**Recognition and measurement**
Share premium account	**518**	518	518	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.
Foreign currency translation reserve	**42**	40	41	The foreign currency translation reserve represents exchange differences arising from the translation of non-US dollar functional currency operations within the Group into US dollars.
Employee share awards reserve	**196**	214	293	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. Once exercised, the difference between the accumulated fair value of the awards and their historical on-market purchase price is recognised in retained earnings.
Hedging reserve	**58**	153	210	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. The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.
Financial assets reserve	**16**	10	11	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.
Share buy-back reserve	**177**	177	177	The share buy-back reserve represents the par value of BHP Billiton Plc shares that were purchased and subsequently cancelled. The cancellation of the shares creates a non-distributable capital redemption reserve.
Non-controlling interest contribution reserve	**1,283**	1,288	1,288	The non-controlling interest contribution reserve represents the excess of consideration

				received over the book value of net assets attributable to equity instruments when acquired by non-controlling interests.
Total reserves	**2,290**	2,400	2,538	

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Summarised financial information relating to each of the Group s subsidiaries with non-controlling interests (NCI) that are material to the Group before any intra-group eliminations is shown below:

US$M	2018 Minera Escondida Limitada	2018 Other individually immaterial subsidiaries (incl. intra-group eliminations)	2018 Total	2017 Minera Escondida Limitada	2017 Other individually immaterial subsidiaries (incl. intra-group eliminations)	2017 Total
Group share (per cent)	**57.5**			57.5		
Current assets	**2,751**			2,107		
Non-current assets	**13,389**			14,528		
Current liabilities	**(1,781)**			(1,339)		
Non-current liabilities	**(4,352)**			(4,300)		
Net assets	**10,007**			10,996		
Net assets attributable to NCI	**4,253**	**825**	**5,078**	4,673	795	5,468
Revenue	**8,775**			4,576		
Profit after taxation	**2,221**			516		
Other comprehensive income	**(2)**					
Total comprehensive income	**2,219**			516		
Profit after taxation attributable to NCI	**944**	**174**	**1,118**	219	113	332
Other comprehensive income attributable to NCI	**(1)**	**1**				
Net operating cash flow	**5,041**			1,964		
Net investing cash flow	**(997)**			(999)		
Net financing cash flow	**(3,392)**			(968)		
Dividends paid to NCI [(1)]	**1,469**	**135**	**1,604**	507	74	581

(1) Includes dividends paid to non-controlling interests related to Onshore US of US$22 million (2017: US$6 million). Refer to note 26 Discontinued operations .

While the Group controls Minera Escondida Limitada, the non-controlling interests hold certain protective rights that restrict the Group s ability to sell assets held by Minera Escondida Limitada, or use the assets in other subsidiaries and operations owned by the Group. Minera Escondida Limitada is also restricted from paying dividends without the approval of the non-controlling interests.

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16 Dividends

	Year ended 30 June 2018		Year ended 30 June 2017		Year ended 30 June 2016	
	Per share US cents	**Total US$M**	Per share US cents	Total US$M	Per share US cents	Total US$M
Dividends paid during the period [(1)]						
Prior year final dividend	**43**	**2,291**	14	746	62	3,299
Interim dividend	**55**	**2,930**	40	2,125	16	855
	98	**5,221**	54	2,871	78	4,154

(1) 5.5 per cent dividend on 50,000 preference shares of £1 each determined and paid annually (2017: 5.5 per cent; 2016: 5.5 per cent).

Dividends paid during the period differs from the amount of dividends paid in the Cash Flow Statement as a result of foreign exchange gains and losses relating to the timing of equity distributions between the record date and the payment date.

The Dual Listed Company merger terms require that ordinary shareholders of BHP Billiton Limited and BHP Billiton Plc are paid equal cash dividends on a per share basis. Each American Depositary Share (ADS) represents two ordinary shares of BHP Billiton Limited or BHP Billiton Plc. Dividends determined on each ADS represent twice the dividend determined on BHP Billiton Limited or BHP Billiton Plc ordinary shares.

Dividends are determined after period-end and announced with the results for the period. Interim dividends are determined in February and paid in March. Final dividends are determined in August and paid in September. Dividends determined are not recorded as a liability at the end of the period to which they relate. Subsequent to year-end, on 21 August 2018, BHP Billiton Limited and BHP Billiton Plc determined a final dividend of 63 US cents per share (US$3,354 million), which will be paid on 25 September 2018 (30 June 2017: final dividend of 43 US cents per share US$2,289 million; 30 June 2016: final dividend of 14 US cents per share US$746 million).

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

	2018 US$M	2017 US$M	2016 US$M
Franking credits as at 30 June	**10,400**	10,155	9,640
Franking credits arising from the payment of current tax	**1,330**	1,239	81
Total franking credits available [(1)]	**11,730**	11,394	9,721

(1) The payment of the final 2018 dividend determined after 30 June 2018 will reduce the franking account balance by US$867 million.

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17 Provisions for dividends and other liabilities

The disclosure below excludes closure and rehabilitation provisions (refer to note 13 Closure and rehabilitation provisions), employee benefits, restructuring and post-retirement employee benefits provisions (refer to note 23 Employee benefits, restructuring and post-retirement employee benefits provisions) and the Samarco dam failure provision (refer to note 3 Significant events Samarco dam failure).

	2018 US$M	2017 US$M
Movement in provision for dividends and other liabilities		
At the beginning of the financial year	**984**	930
Dividends determined	**5,221**	2,871
Charge/(credit) for the year:		
Underlying	**337**	316
Discounting	**4**	5
Exchange variations	**3**	53
Released during the year	**(78)**	(122)
Utilisation	**(150)**	(223)
Dividends paid	**(5,325)**	(2,921)
Transferred to liabilities held for sale	**(39)**	
Transfers and other movements	**(13)**	75
At the end of the financial year [(1)]	**944**	984
Comprising:		
Current	**290**	332
Non-current	**654**	652

(1) Includes unpaid dividend determined to non-controlling interest of US$ nil (2017: US$105 million).

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Financial management

18 Net debt

The Group s corporate purpose is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources. The Group will invest capital in assets where they fit its strategy.

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

	2018		2017	
US$M	**Current**	**Non-current**	Current	Non-current
Interest bearing liabilities				
Bank loans	**308**	**2,247**	192	2,089
Notes and debentures	**2,228**	**21,070**	771	26,270
Finance leases	**77**	**725**	82	815
Bank overdraft and short-term borrowings	**58**		45	
Other	**65**	**27**	151	59
Total interest bearing liabilities	**2,736**	**24,069**	1,241	29,233
Less cash and cash equivalents				
Cash	**1,065**		882	
Short-term deposits	**14,806**		13,271	
Total cash and cash equivalents	**15,871**		14,153	
Net debt		**10,934**		16,321
Net assets		**60,670**		62,726
Gearing		**15.3%**		20.6%

Cash and short-term deposits are disclosed in the cash flow statement net of bank overdrafts and interest bearing liabilities at call.

	2018	2017	2016
	US$M	US$M	US$M
Total cash and cash equivalents	**15,871**	14,153	10,319
Bank overdrafts and short-term borrowing	**(58)**	(45)	(43)
Total cash and cash equivalents, net of overdrafts	**15,813**	14,108	10,276

Recognition and measurement

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and highly liquid cash deposits with short-term maturities and are readily convertible to known amounts of cash with insignificant risk of change in value. The Group considers that the carrying value of cash and cash equivalents approximate fair value due to their short term to maturity.

Cash and cash equivalents includes US$98 million (2017: US$180 million) restricted by legal or contractual arrangements.

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Interest bearing liabilities and cash and cash equivalents include balances denominated in the following currencies:

	Interest bearing liabilities		Cash and cash equivalents	
	2018	2017	**2018**	2017
	US$M	US$M	**US$M**	US$M
USD	**12,981**	14,035	**7,024**	7,980
EUR	**9,070**	10,324	**5,845**	4,663
GBP	**3,104**	3,520	**1,560**	1,318
AUD	**1,077**	1,987	**9**	9
CAD	**573**	608	**1,301**	77
Other			**132**	106
Total	**26,805**	30,474	**15,871**	14,153

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. Operational, capital and regulatory requirements are considered in the management of liquidity risk, in conjunction with short-term and long-term forecast information.

Recognising the cyclical volatility of operating cash flows, the Group has defined minimum target cash and liquidity buffers to be maintained to mitigate liquidity risk and support operations through the cycle.

The Group s strong credit profile, diversified funding sources, its minimum cash buffer and its 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 an investment grade standing are used for the investment of any excess cash.

Standard & Poor s credit rating of the Group remained at the A level with stable outlook throughout FY2018. Moody s maintained their credit rating for the Group of A3 with positive outlook throughout FY2018.

There were no defaults on loans payable during the period.

Counterparty risk

The Group is exposed to credit risk from its financing activities, including short-term cash deposits with banks and derivative contracts. This risk is managed by Group Treasury in line with the counterparty risk framework, which aims to minimise the exposure to a counterparty and mitigate the risk of financial loss through counterparty failure.

Exposure to counterparties is monitored at a Group level across all products and includes exposure with derivatives and short-term cash deposits.

Short-term cash deposits and derivatives are transacted with approved counterparties who have been assigned specific limits based on a quantitative credit risk model. The policy is reviewed annually and limits are updated at least bi-annually. Derivatives must be transacted with approved counterparties and are subject to tenor limits.

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Standby arrangements and unused credit facilities

The Group s committed revolving credit facility operates as a back-stop to the Group s uncommitted commercial paper program. The combined amount drawn under the facility or as commercial paper will not exceed US$6.0 billion. As at 30 June 2018, US$ nil commercial paper was drawn (2017: US$ nil). The revolving credit facility has a five-year maturity ending 7 May 2021. A commitment fee is payable on the undrawn balance and an interest rate comprising an interbank rate plus a margin applies to any drawn balance. The agreed margins are typical for a credit facility extended to a company with the Group s credit rating.

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:

2018 US$M	**Bank loans, debentures and other loans**	**Expected future interest payments**	**Derivatives related to net debt**	**Other derivatives**	**Obligations under finance leases**	**Trade and other payables**	**Total**
Due for payment:							
In one year or less or on demand	**2,647**	**682**	**302**	**17**	**127**	**5,788**	**9,563**
In more than one year but not more than two years	**1,545**	**957**	**188**	**1**	**113**	**3**	**2,807**
In more than two years but not more than five years	**8,019**	**2,203**	**823**		**335**		**11,380**
In more than five years	**13,287**	**5,519**	**1,191**		**590**		**20,587**
Total	**25,498**	**9,361**	**2,504**	**18**	**1,165**	**5,791**	**44,337**
Carrying amount	**26,003**		**1,213**	**18**	**802**	**5,791**	**33,827**

2017 US$M	Bank loans, debentures and other loans	Expected future interest payments	Derivatives related to net debt	Other derivatives	Obligations under finance leases	Trade and other payables	Total
Due for payment:							
In one year or less or on demand	1,157	686	267	144	135	5,417	7,806
In more than one year but not more than two years	2,471	1,022	245	4	132	5	3,879
In more than two years but not more than five	8,279	2,611	503	7	343		11,743

years							
In more than five years	16,706	6,248	1,975		705		25,634
Total	28,613	10,567	2,990	155	1,315	5,422	49,062
Carrying amount	29,577		1,345	155	897	5,422	37,396

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19 Net finance costs

	2018 US$M	2017 US$M	2016 US$M
Financial expenses			
Interest on bank loans, overdrafts and all other borrowings	**1,168**	1,130	969
Interest capitalised at 4.24% (2017: 3.25%; 2016: 2.61%) [(1)]	**(139)**	(113)	(123)
Discounting on provisions and other liabilities	**414**	450	304
Fair value change on hedged loans	**(265)**	(1,185)	1,444
Fair value change on hedging derivatives	**329**	1,244	(1,448)
Exchange variations on net debt	**(19)**	(23)	(24)
Other financial expenses	**79**	57	28
	1,567	1,560	1,150
Financial income			
Interest income	**(322)**	(143)	(137)
Net finance costs	**1,245**	1,417	1,013

(1) 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. Tax relief for capitalised interest is approximately US$42 million (2017: US$34 million; 2016: US$37 million).

Recognition and measurement

Interest income is accrued using the effective interest rate method. Finance costs are expensed as incurred, except where they relate to the financing of construction or development of qualifying assets.

20 Financial risk management

Financial and capital 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 90 per cent.

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.

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In executing the 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	
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.	Execution of transactions within approved mandates.
2 Economic hedging of commodity sales, operating costs, short-term cash deposits 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 and cash flow 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. Where short-term cash deposits are held in a currency other than US dollars, derivative financial instruments may be executed to align the foreign exchange exposure to the Group s functional currency of US dollars.	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. Execution of transactions within approved mandates.
3 Strategic financial transactions	
Opportunistic transactions may be executed with financial instruments to capture value from perceived market over/under valuations.	Execution of transactions within approved mandates.

Primary responsibility for the 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 Chief Executive Officer.

Interest rate risk

The Group is exposed to interest rate risk on its outstanding borrowings and short-term cash deposits 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.

The majority of the Group s debt is issued at fixed interest rates. The Group has entered into interest rate swaps and cross currency interest rate swaps to convert most of its fixed interest rate exposure to floating US dollar interest rate exposure. As at 30 June 2018, 89 per cent of the Group s borrowings were exposed to floating interest rates inclusive of the effect of swaps (2017: 90 per cent).

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The fair value of interest rate swaps and cross currency interest rate swaps in hedge relationships used to hedge both interest rate and foreign currency risks are shown in the valuation hierarchy section of this note.

Based on the net debt position as at 30 June 2018, 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 equity and profit after taxation by US$54 million (2017: decrease of US$92 million). This assumes 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 net debt profile of the Group may not remain constant over the coming financial year and therefore such sensitivity analysis should be used with care.

Currency risk

The US dollar is the predominant functional currency 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.

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 denominated provisions for closure and rehabilitation at operating sites, which are capitalised in property, plant and equipment.

The principal non-functional currencies to which the Group is exposed are the Australian dollar, the Euro, the Pound sterling and the Chilean peso; however, 88 per cent (2017: 86 per cent) of the Group s net financial liabilities are denominated in US dollars. Based on the Group s net financial assets and liabilities as at 30 June 2018, a weakening of the US dollar against these currencies (one cent strengthening in Australian dollar, one cent strengthening in Euro, one penny strengthening in Pound sterling and 10 pesos strengthening in Chilean peso), with all other variables held constant, would decrease the Group s equity and profit after taxation by US$10 million (2017: decrease of US$16 million).

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

Certain operating and capital expenditure is incurred 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. The Group enters into forward exchange contracts when required under this strategy.

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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. While the Group has succeeded in transitioning substantially all of the Group commodity production sales to market-based index pricing terms, derivative commodity contracts may from time to time be used to align realised prices with the relevant index. Contracts for the physical delivery of commodities are not typically financial instruments and are carried in the balance sheet at cost (typically at US$ nil); they are therefore excluded from the fair value and sensitivity analysis. Accordingly, the financial instrument exposures set out 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 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.

Financial instruments with commodity price risk comprise forward commodity and other derivative contracts with a net assets fair value of US$210 million (2017: US$358 million). Significant commodity price risk instruments within other derivative balances include derivatives embedded in physical commodity purchase and sales contracts of gas in Trinidad and Tobago with a net assets fair value of US$216 million (2017: US$370 million).

The potential effect of using reasonably possible alternative assumptions in these models, based on a change in the most significant input, such as commodity prices, by an increase/(decrease) of 10 per cent while holding all other variables constant will increase/(decrease) profit after taxation by US$9 million (2017: US$62 million).

Provisionally priced commodity sales and purchases contracts

Provisionally priced sales or purchases volumes are those for which price finalisation, referenced to the relevant index, is outstanding at the reporting date. Provisional pricing mechanisms embedded within these sales and purchases arrangements have the character of a commodity derivative and are carried at fair value through profit and loss as part of trade receivables or trade payables. The Group s exposure at 30 June 2018 to the impact of movements in commodity prices upon provisionally invoiced sales and purchases volumes was predominately around copper.

The Group had 356 thousand tonnes of copper exposure at 30 June 2018 (2017: 213 thousand tonnes) that was provisionally priced. The final price of these sales or purchases will be determined during the first half of FY2019. A 10 per cent change in the price of copper realised on the provisionally priced sales, with all other factors held constant, would increase or decrease profit after taxation by US$178 million (2017: US$90 million). The relationship between commodity prices and foreign currencies is complex and movements in foreign exchange rates can impact commodity prices. The sensitivities should therefore be used with care.

Liquidity risk

Refer to note 18 Net debt for details on the Group liquidity risk.

Credit risk

Refer to note 7 Trade and other receivables and note 18 Net debt for details on the Group credit risk.

Financial assets and liabilities

The financial assets and liabilities are presented by class in the tables on page F-68 at their carrying amounts, which generally approximate to fair value.

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Recognition and measurement

All financial assets and 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. Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value.

The Group classifies its financial assets and liabilities into:

- loans and receivables;
- available for sale securities;
- held at fair value through profit or loss;
- cash flow hedges;
- financial assets and liabilities at amortised cost.

The classification depends on the purpose for which the financial assets and liabilities are held. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include cash and cash equivalents and trade receivables. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are initially measured at fair value of consideration paid and subsequently carried at either fair value or amortised cost less impairment. At the end of each reporting period, loans and receivables are assessed for objective evidence that they are impaired. The amount of loss is measured as the difference between its carrying amount and the present value of its estimated future cash flows. The loss is recognised in the income statement.

Other financial liabilities at amortised cost

Available for sale shares and other investments
Available for sale shares and other investments are measured at fair value. Gains and losses on the remeasurement of other investments are recognised directly in the income statement. Gains and losses on the remeasurement of available for sale shares 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.

Trade and other payables represents amounts that are non-interest bearing. The carrying value approximates their fair value, which represents liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid.

Interest bearing liabilities are initially recognised at fair value of the consideration received, net of transaction costs. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Interest bearing liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of an interest bearing liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

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The Group has finance lease liabilities in relation to certain items of property, plant and equipment. Finance lease liabilities are initially recognised at the fair value of the underlying assets or, if lower, the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance cost, and the finance cost is charged to the income statement over the lease period to reflect a constant periodic rate of interest on the remaining balance of the liability for each period.

Derivatives and hedging

Derivatives, including embedded derivatives separated from the host contracts, are included within financial assets or liabilities at fair value through profit or loss unless they are designated as effective hedging instruments. Financial instruments in this category are classified as current if they are expected to be settled within 12 months; otherwise they are classified as non-current.

The Group uses financial instruments to hedge its exposure to certain market risks arising from operational, financing and investing activities. At the start of the transaction, the Group documents:

- the type of hedge;
- the relationship between the hedging instrument and hedged items;
- its risk management objective and strategy for undertaking various hedge transactions.

The documentation also demonstrates, both at hedge inception and on an ongoing basis, that the hedge is expected to continue to be highly effective.

The Group has two types of hedges:

	Fair value hedges	**Cash flow hedges**
Exposure	As the majority of the Group s debt is issued at fixed interest rates, the Group has entered into interest rate swaps and cross currency interest rate swaps to mitigate its exposure to changes in the fair value of borrowings.	As a portion of the Group s debt is denominated in currencies other than US dollars, the Group has entered into cross currency interest rate swaps to mitigate currency exposures.
Recognition date	At the date the instrument is entered into.	
Measurement	Measured at fair value.	
Fair value approach	Based on internal valuations using standard valuation techniques with current market inputs, including interest rates and forward commodity prices; and exchange rates. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.	

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	Fair value hedges	Cash flow hedges
How are changes in fair value accounted for?	The following changes in the fair value are recognised immediately in the income statement: the gain or loss relating to the effective portion of interest rate swaps, hedging fixed rate borrowings, together with the gain or loss in the fair value of the hedged fixed rate borrowings attributable to interest rate risk; the gain or loss relating to the ineffective portion of the hedge. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity using a recalculated effective interest rate.	Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in other comprehensive income and accumulated in equity in the hedging reserve to the extent that the hedge is highly effective. To the extent that the hedge is ineffective, changes in fair value are recognised immediately in the income statement. Amounts accumulated in equity are transferred to the income statement or the balance sheet for a non-financial asset at the same time as the hedged item is recognised. When a hedging instrument expires or is sold, terminated or exercised, 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 underlying forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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.

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Valuation hierarchy

The carrying amount of financial assets and liabilities measured at fair value is principally calculated based on inputs other than quoted prices that are observable for these financial assets or liabilities, either directly (i.e. as unquoted prices) or indirectly (i.e. derived from 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 inputs used in fair value calculations are determined by the relevant segment or function. The functions support the assets and operate under a defined set of accountabilities authorised by the Executive Leadership Team. Movements in the fair value of financial assets and liabilities may be recognised through the income statement or in other comprehensive income.

For financial assets and liabilities carried at fair value, the Group uses the following to categorise the method used:

Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**
Valuation method	Based on quoted prices (unadjusted) in active markets for identical financial assets and liabilities.	Based on inputs other than quoted prices included within 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).	Based on inputs not observable in the market using appropriate valuation models, including discounted cash flow modelling.

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The financial assets and liabilities are presented by class in the tables below at their carrying amounts, which generally approximate to fair value. In the case of US$3,019 million (2017: US$3,019 million) of fixed rate debt not swapped to floating rate, the fair value at 30 June 2018 was US$3,434 million (2017: US$3,523 million).

2018 **US$M**	**Loans and receivables**	**Available for sale securities**	**Held at fair value through profit or loss**	**Cash flow hedges**	**Other financial assets and liabilities at amortised cost**	**Total**
Fair value hierarchy [1]		*Level 3*	*Levels 1,2 & 3*	*Level 2*		
Current cross currency and interest rate swaps			**12**			**12**
Current other derivative contracts [2]			**170**			**170**
Current available for sale shares and other investments [3][4]			**18**			**18**
Non-current cross currency and interest rate swaps			**423**	**(27)**		**396**
Non-current other derivative contracts [2]			**195**			**195**
Non-current available for sale shares and other investments [3][4][5]		**80**	**328**			**408**
Total other financial assets		**80**	**1,146**	**(27)**		**1,199**
Cash and cash equivalents	**15,871**					**15,871**
Trade and other receivables [6]	**1,799**		**1,126**			**2,925**
Loans to equity accounted investments	**13**					**13**
Total financial assets	**17,683**	**80**	**2,272**	**(27)**		**20,008**
Non-financial assets						**91,985**
Total assets						**111,993**
Current cross currency and interest rate swaps			**171**	**(50)**		**121**
Current other derivative contracts [2][7]			**17**			**17**
Non-current cross currency and interest rate swaps			**298**	**794**		**1,092**
Non-current other derivative contracts [2][7]			**1**			**1**
Total other financial liabilities			**487**	**744**		**1,231**
Trade and other payables [8]			**377**		**5,414**	**5,791**
Bank overdrafts and short-term borrowings [9]					**58**	**58**
Bank loans [9]					**2,555**	**2,555**

Notes and debentures [9]			**23,298**	**23,298**
Finance leases			**802**	**802**
Other [9]			**92**	**92**
Total financial liabilities	**864**	**744**	**32,219**	**33,827**
Non-financial liabilities				**17,496**
Total liabilities				**51,323**

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2017 US$M	Loans and receivables	Available for sale securities	Held at fair value through profit or loss	Cash flow hedges	Other financial assets and liabilities at amortised cost	Total
Fair value hierarchy [1]		*Level 3*	*Levels 1,2 & 3*	*Level 2*		
Current other derivative contracts [2]			41			41
Current available for sale shares and other investments [3] [4]			31			31
Non-current cross currency and interest rate swaps			578	27		605
Non-current other derivative contracts [2]			332			332
Non-current available for sale shares and other investments [3] [4] [5]		70	274			344
Total other financial assets		70	1,256	27		1,353
Cash and cash equivalents	14,153					14,153
Trade and other receivables [6]	1,813		920			2,733
Loans to equity accounted investments	644					644
Total financial assets	16,610	70	2,176	27		18,883
Non-financial assets						98,123
Total assets						117,006
Current cross currency and interest rate swaps			(4)	254		250
Current other derivative contracts [2] [7]			144			144
Non-current cross currency and interest rate swaps			42	1,053		1,095
Non-current other derivative contracts [2] [7]			4	7		11
Total other financial liabilities			186	1,314		1,500
Trade and other payables [8]			502		4,920	5,422
Bank overdrafts and short-term borrowings [9]					45	45
Bank loans [9]					2,281	2,281
Notes and debentures [9]					27,041	27,041
Finance leases					897	897
Other [9]					210	210

Total financial liabilities	688	1,314	35,394	37,396
Non-financial liabilities				16,884
Total liabilities				54,280

(1) All of the Group s financial assets and financial liabilities recognised at fair value were valued using market observable inputs categorised as Level 2 with the exception of the specified items in the following footnotes.

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(2) Includes other derivative contracts of US$213 million (2017: US$365 million) categorised as Level 3.

(3) Includes investments held by BHP Billiton Foundation which are restricted and not available for general use by the Group of US$343 million (2017: US$304 million).

(4) Includes other investments held at fair value through profit or loss (US Treasury Notes) of US$108 million categorised as Level 1 (2017: US$97 million).

(5) Includes shares and other investments available for sale of US$80 million (2017: US$70 million) categorised as Level 3.

(6) Excludes input taxes of US$338 million (2017: US$262 million) included in other receivables. Refer to note 7 Trade and other receivables .

(7) Includes US$nil (2017: US$7 million) natural gas futures contracts used by the Group to mitigate price risk designated as cash flow hedges.

(8) Excludes input taxes of US$189 million (2017: US$134 million) included in other payables. Refer to note 8 Trade and other payables .

(9) All interest bearing liabilities, excluding finance leases, are unsecured.

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between categories during the period.

For financial instruments not valued at fair value on a recurring basis, the Group uses a method that can be categorised as Level 2.

Offsetting financial assets and liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association Master Agreements that do not meet the criteria for offsetting, but allow for the related amounts to be set-off in certain circumstances. The amounts set out as cross currency and interest rate swaps in the table above represent the derivative financial assets and liabilities of the Group that may be subject to the above arrangements and are presented on a gross basis.

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Interest bearing liabilities and related derivatives

The movement in the year in the Group s interest bearing liabilities and related derivatives is as follows:

2018							
US$M	**Interest bearing liabilities**					**Derivatives (assets)/ liabilities**	
	Bank loans	**Notes and debentures**	**Finance leases**	**Bank overdraft and short-term borrowings**	**Other**	**Cross currency and interest rate swaps**	**Total**
At the beginning of the financial year	**2,281**	**27,041**	**897**	**45**	**210**	**740**	
Proceeds from interest bearing liabilities	**500**				**28**		**528**
Settlements of debt related instruments						**(218)**	**(218)**
Repayment of interest bearing liabilities	**(221)**	**(3,736)**	**(81)**		**(150)**		**(4,188)**
Change from Net financing cash flows	**279**	**(3,736)**	**(81)**		**(122)**	**(218)**	**(3,878)**
Other movements:							
Interest rate impacts		**(353)**				**329**	
Foreign exchange impacts		**245**	**(9)**			**(254)**	
Other interest bearing liabilities/derivative related changes	**(5)**	**101**		**13**	**4**	**208**	
Liabilities transferred to held for sale			**(5)**				
At the end of the financial year	**2,555**	**23,298**	**802**	**58**	**92**	**805**	

Recognition and measurement

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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Employee matters

21 Key management personnel

Key management personnel compensation comprises:

	2018 **US$**	2017 US$	2016 US$
Short-term employee benefits	**13,190,838**	16,439,948	14,979,983
Post-employment benefits	**1,506,108**	1,895,828	2,356,594
Share-based payments	**13,356,657**	13,747,355	16,837,179
Total	**28,053,603**	32,083,131	34,173,756

Following the dissolution of the Operations Management Committee (OMC) in FY2018, the Remuneration Committee re-examined the classification of Key Management Personnel (KMP) for FY2018 and determined that the roles which have the authority and responsibility for planning, directing and controlling the activities of BHP are Non-executive Directors, the CEO, the Chief Financial Officer, the President Operations, Minerals Australia, the President Operations, Minerals Americas, and the President Operations, Petroleum. The Remuneration Committee also determined that, effective 1 July 2017 the Chief External Affairs Officer and Chief People Officer roles are no longer considered KMP.

Transactions and outstanding loans/amounts with key management personnel

There were no purchases by key management personnel from the Group during the financial year (2017: US$ nil; 2016: US$ nil).

There were no amounts payable by key management personnel at 30 June 2018 (2017: US$ nil; 2016: US$ nil).

There were no loans receivable from or payable to key management personnel at 30 June 2018 (2017: US$ nil; 2016: US$ nil).

Transactions with personally related entities

A number of Directors of the Group hold or have held positions in other companies (personally related entities) where it is considered they control or significantly influence the financial or operating policies of those entities. There were no transactions with those entities and no amounts were owed by the Group to personally related entities at 30 June 2018 (2017: US$ nil; 2016: US$ nil).

For more information on remuneration and transactions with key management personnel, refer to section 3.

22 Employee share ownership plans

Awards, in the form of the right to receive ordinary shares in either BHP Billiton Limited or BHP Billiton Plc, have been granted under the following employee share ownership plans: Long-Term Incentive Plan (LTIP), Short-Term Incentive Plan (STIP), Management Award Plan (MAP), Group Short-Term Incentive Plan (GSTIP), Transitional

Executive KMP awards and the all-employee share plan, Shareplus.

Some awards are eligible to receive a cash payment, or the equivalent value in shares, equal to the dividend amount that would have been earned on the underlying shares awarded to those participants (the Dividend Equivalent Payment, or DEP). The DEP is provided to the participants once the underlying shares are allocated or transferred to them. Awards under the plans do not confer any rights to participate in a share issue; however, there is discretion under each of the plans to adjust the awards in response to a variation in the share capital of BHP Billiton Limited or BHP Billiton Plc.

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The table below provides a description of each of the plans.

Plan Type	STIP and GSTIP	LTIP and MAP	Transitional Executive KMP awards	Shareplus
Type	Short-term incentive	Long-term incentive	Long-term incentive	All-employee share purchase plan
Overview	The STIP is a plan for the Executive KMP and the GSTIP is a plan for BHP senior management who are not KMP. Under both plans, half of the value of a participant s short-term incentive amount is awarded as rights to receive BHP Billiton Limited or BHP Billiton Plc shares at the end of the vesting period.	The LTIP is a plan for Executive KMP and awards are granted annually. The MAP is a plan for BHP senior management who are not KMP. The number of share rights awarded is determined by a participant s role and grade.	Awards may be granted to new Executive KMP recruited from within the Group to bridge the gap created by the different timeframes of the vesting of MAP awards, granted in their non-KMP role, and LTIP awards, granted to Executive KMP. No Transitional awards were granted to Executive KMP in FY2018.	Employees may contribute up to US$5,000 to acquire shares in any plan year. On the third anniversary of the start of a plan year, the Group will match the number of acquired shares.
Vesting conditions	Service condition only.	LTIP: Service and performance conditions. For awards granted from December 2013 onwards, BHP s Total Shareholder Return (TSR)[1] performance relative to the Peer Group TSR over a five-year performance period determines the vesting of 67 per cent of the	Service conditions and performance conditions. The Remuneration Committee has absolute discretion to determine if the performance condition has been met and whether any, all or part of the award will vest (or otherwise lapse), having regard to (but not limited to) the BHP s TSR[1]	Service conditions only.

awards, while performance relative to the Index TSR (being the index value where the comparator group is a market index) determines the vesting of 33 per cent of the awards. For the awards to vest in full, BHP s TSR[1] must exceed the Peer Group TSR and Index TSR (if applicable) by a specified percentage per year, determined for each grant by the Remuneration Committee. Since the establishment of the LTIP in 2004, this percentage has been set at 5.5 per cent per year.	over the three- or four-year performance period (respectively), the participant s contribution to Group outcomes and the participant s personal performance (with guidance on this assessment from the CEO).
MAP: Service conditions only.	

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Plan	STIP and GSTIP	LTIP and MAP	Transitional Executive KMP awards	Shareplus
Vesting period	2 years	LTIP 5 years MAP 1 to 5 years	3 years or 4 years	3 years
Dividend Equivalent Payment	Yes, except GSTIP awards granted after 1 July 2011	Yes, except MAP granted after 1 July 2011	No	No
Exercise period	None	LTIP None MAP None	None	None

(1) BHP s TSR is the weighted average of the TSRs of BHP Billiton Limited and BHP Billiton Plc.

Employee share awards

2018	Number of awards 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 at the end of the financial year	Number of awards vested and exercisable at the end of the financial year	Weighted average remaining contractual life (years)
BHP Billiton Limited							
STIP awards	**497,634**	**274,743**	**464,349**		**308,028**		**1.0**
GSTIP awards	**2,001,583**	**1,422,338**	**1,383,656**	**31,810**	**2,008,455**	**28,981**	**0.8**
LTIP awards	**4,679,513**	**1,523,309**	**65,247**	**156,600**	**5,980,975**		**2.5**
Transitional OMC awards	**137,194**		**61,485**	**28,869**	**46,840**		**0.7**
MAP awards	**7,348,428**	**5,731,891**	**2,185,614**	**515,442**	**10,379,263**	**60,134**	**1.5**
Shareplus	**5,998,517**	**2,483,091**	**3,184,545**	**521,984**	**4,775,079**		**1.2**
Employee Share Plan shares (legacy plan)	**338,883**		**338,883**				**n/a**

BHP Billiton Plc						
GSTIP awards	**84,250**	**40,957**	**59,577**	**1,762**	**63,868**	**0.8**
LTIP awards	**386,912**		**74,988**	**311,924**		**n/a**
MAP awards	**596,443**	**133,926**	**406,783**	**8,135**	**315,451**	**1.3**
Shareplus	**336,108**	**137,832**	**165,450**	**26,331**	**282,159**	**1.2**

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Fair value and assumptions in the calculation of fair value for awards issued

2018	Weighted average fair value of awards granted during the year US$	Risk-free interest rate	Estimated life of awards	Share price at grant date	Estimated volatility of share price	Dividend yield
BHP Billiton Limited						
STIP awards	**20.65**	**n/a**	**3 years**	**A$27.97**	**n/a**	**n/a**
GSTIP awards	**18.83**	**n/a**	**3 years**	**A$25.98**	**n/a**	**4.30%**
LTIP awards	**13.11**	**2.08%**	**5 years**	**A$27.97**	**33.0%**	**n/a**
MAP awards	**18.37**	**n/a**	**1-2-3 years**	**A$25.98**	**n/a**	**4.30%**
Shareplus	**18.12**	**1.85%**	**3 years**	**A$24.00**	**n/a**	**4.33%**
BHP Billiton Plc						
GSTIP awards	**16.48**	**n/a**	**3 years**	**£13.29**	**n/a**	**5.10%**
MAP awards	**15.62**	**n/a**	**1-2-3 years**	**£13.29**	**n/a**	**5.10%**
Shareplus	**13.48**	**0.17%**	**3 years**	**£12.34**	**n/a**	**5.10%**

Employee share awards expense is US$123.313 million (2017: US$106.214 million; 2016: US$140.445 million). [1]

(1) Total employee share awards expense includes Onshore US. Refer to note 4 Expenses and other income employee share awards for continuing operations.

Recognition and measurement

The fair value at grant date of equity-settled share awards is charged to the income statement over the period for which the benefits of employee services are expected to be derived. The fair values of awards granted were estimated using a Monte Carlo simulation methodology and Black-Scholes option pricing technique and consider the following factors:

- exercise price;
- expected life of the award;
- current market price of the underlying shares;

- expected volatility using an analysis of historic volatility over different rolling periods. For the LTIP, it is calculated for all sector comparators and the published MSCI World index;

- expected dividends;

- risk-free interest rate, which is an applicable government bond rate;

- market-based performance hurdles;

- non-vesting conditions.

Where awards are forfeited because non-market-based vesting conditions are not satisfied, the expense previously recognised is proportionately reversed.

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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 other comprehensive income and forms part of the employee share awards reserve. The fair value of awards as presented in the tables above represents the fair value at grant date.

In respect of employee share awards, the Group utilises the Billiton Employee Share Ownership Trust and the BHP Billiton Limited Employee Equity Trust. The trustees of these trusts are independent companies, resident in Jersey. The trusts use funds provided by the Group to acquire ordinary shares to enable awards to be made or satisfied. The ordinary shares may be acquired by purchase in the market or by subscription at not less than nominal value. The BHP Billiton Limited Employee Equity Trust has waived its rights to current and future dividends on shares held to meet future awards under the plans.

23 Employee benefits, restructuring and post-retirement employee benefits provisions

	2018 US$M	2017 US$M
Employee benefits [1]	**1,232**	1,177
Restructuring [2]	**8**	10
Post-retirement employee benefits	**449**	438
Total provisions	**1,689**	1,625
Comprising:		
Current	**1,148**	1,062
Non-current	**541**	563

2018	**Employee benefits US$M**	**Restructuring US$M**	**Post-retirement employee benefits [3] US$M**	**Total US$M**
At the beginning of the financial year	**1,177**	**10**	**438**	**1,625**
Charge/(credit) for the year:				
Underlying	**1,073**	**6**	**22**	**1,101**
Discounting			**34**	**34**
Net interest expense			**(15)**	**(15)**
Exchange variations	**(29)**		**5**	**(24)**
Released during the year	**(31)**	**(1)**		**(32)**
Remeasurement gains taken to retained earnings			**(1)**	**(1)**
Utilisation	**(958)**	**(7)**	**(34)**	**(999)**
At the end of the financial year	**1,232**	**8**	**449**	**1,689**

(1) The expenditure associated with total employee benefits will occur in a pattern consistent with when employees choose to exercise their entitlement to benefits.

(2) Total restructuring provisions include provisions for terminations and office closures.

(3) Refer to note 24 Pension and other post-retirement obligations .

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Recognition and measurement

Provisions are recognised by the Group when:

- there is a present legal or constructive obligation as a result of past events;
- it is more likely than not that a permanent outflow of resources will be required to settle the obligation;
- the amount can be reliably estimated and measured at the present value of management s best estimate of the cash outflow required to settle the obligation at reporting date.

Provision	Description
Employee benefits	Liabilities for annual leave and any accumulating sick leave accrued up until the reporting date that are expected to be settled within 12 months are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for long service leave are measured as the present value of estimated future payments for the services provided by employees up to the reporting date and disclosed within employee benefits. Liabilities that are not expected to be settled within 12 months are discounted at the reporting date using market yields of high-quality corporate bonds or government bonds for countries where there is no deep market for corporate bonds. The rates used reflect the terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. 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 unpaid wages and salaries are recognised in other creditors.
Restructuring	Restructuring provisions are recognised when:

the Group has a detailed formal plan identifying the business or part of the business concerned, the location and approximate number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline;

the restructuring has either commenced or been publicly announced and can no longer be withdrawn.

Payments falling due greater than 12 months after the reporting date are discounted to present value.

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24 Pension and other post-retirement obligations

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.

Schemes/Obligations	Description
Defined contribution pension schemes and multi-employer pension schemes	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. The Group contributed US$277 million during the financial year (2017: US$247 million; 2016: US$232 million) to defined contribution plans and multi-employer defined contribution plans. These contributions are expensed as incurred.
Defined benefit pension schemes	For defined benefit pension schemes, the cost of providing pensions is charged to the income statement so as to recognise current and past service costs, net interest cost on the net defined benefit obligations/plan assets and the effect of any curtailments or settlements. Remeasurement 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 the fair value of plan assets, except that any such asset cannot exceed the present value of expected refunds from and reductions in future contributions to the plan. 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.
	The Group has closed all defined benefit pension schemes to new entrants. Defined benefit pension schemes remain operating in Australia, the United States, Canada and Europe for existing members. Full actuarial valuations are prepared and updated annually to 30 June by local actuaries for all schemes. 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 United States, Canada and Europe and 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. Full actuarial valuations are prepared by local actuaries for all schemes. These schemes are recognised on the same basis as described for defined benefit pension schemes. All of the post-retirement medical

schemes in the Group are unfunded.

Defined benefit post-employment obligations

The Group has a legal obligation to provide post-employment benefits to employees in Chile. The benefit is a function of an employee s final salary and years of service. These obligations are recognised on the same basis as described for defined benefit pension schemes.

Full actuarial valuations are prepared by local actuaries. These post-employment obligations are unfunded.

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Risk

The Group s defined benefit schemes/obligations expose the Group to a number of risks, including asset value volatility, interest rate variations, inflation, longevity and medical expense inflation risk.

Recognising this, the Group has adopted an approach of moving away from providing defined benefit pensions. The majority of Group-sponsored defined benefit pension schemes have been closed to new entrants for many years. Existing benefit schemes and the terms of employee participation in these schemes are reviewed on a regular basis.

Fund assets

The Group follows a coordinated strategy for the funding and investment of its defined benefit pension schemes (subject to meeting all local requirements). The Group s aim is for the value of defined benefit pension scheme assets to be maintained at close to the value of the corresponding benefit obligations, allowing for some short-term volatility.

Scheme assets are invested in a diversified range of asset classes, predominantly comprising bonds and equities.

The Group s aim is to progressively shift defined benefit pension scheme assets towards investments that match the anticipated profile of the benefit obligations, as funding levels improve and benefit obligations mature. Over time, this is expected to result in a further reduction in the total exposure of pension scheme assets to equity markets. For pension schemes that pay lifetime benefits, the Group may consider and support the purchase of annuities to back these benefit obligations if it is commercially sensible to do so.

Net liability recognised in the Consolidated Balance Sheet

The net liability recognised in the Consolidated Balance Sheet is as follows:

	Defined benefit pension schemes/post-employment obligations		**Post-retirement medical schemes**	
	2018 US$M	2017 US$M	**2018 US$M**	2017 US$M
Present value of funded defined benefit obligation	**616**	665		
Present value of unfunded defined benefit obligation	**274**	256	**192**	204
Fair value of defined benefit scheme assets	**(633)**	(687)		
Scheme deficit	**257**	234	**192**	204
Unrecognised surplus				
Unrecognised past service credits				
Adjustment for employer contributions tax				
Net liability recognised in the Consolidated Balance Sheet	**257**	234	**192**	204

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.

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25 Employees

	2018 Number	2017 Number	2016 Number
Average number of employees [1]			
Australia	**16,504**	15,906	15,834
South America	**6,729**	6,361	6,509
North America	**1,839**	2,072	2,748
Asia	**1,368**	1,019	822
Europe	**70**	74	61
Total average number of employees from Continuing operations	**26,510**	25,432	25,974
Total average number of employees from Discontinued operations	**651**	714	853
Total average number of employees	**27,161**	26,146	26,827

(1) Average employee numbers include the Executive Director, 100 per cent of employees of subsidiary companies and our share of employees of joint operations. Employees of equity accounted investments are not included. Part-time employees are included on a full-time equivalent basis. Employees of businesses disposed of during the year are included for the period of ownership. Contractors are not included.

Group and related party information

26 Discontinued operations

On 27 July 2018 BHP announced that it had entered into agreements for the sale of its entire interests in its Eagle Ford, Haynesville, Permian and Fayetteville Onshore US oil and gas assets for a combined base consideration of US$10.8 billion, payable in cash.

BP American Production Company, a wholly owned subsidiary of BP Plc, has agreed to acquire 100 per cent of the issued share capital of Petrohawk Energy Corporation, the BHP subsidiary which holds the Eagle Ford (being Black Hawk and Hawkville), Haynesville and Permian assets, for a consideration of US$10.5 billion (less customary completion adjustments), comprising 50 per cent paid in cash at completion and 50 per cent in deferred consideration, payable in cash over a six month period.

MMGJ Hugoton III, LLC, a company owned by Merit Energy Company, has agreed to acquire 100 per cent of the issued share capital of BHP Billiton Petroleum (Arkansas) Inc. and 100 per cent of the membership interests in BHP Billiton Petroleum (Fayetteville) LLC, which hold the Fayetteville assets, for a total consideration of US$0.3 billion (less customary completion adjustments), paid in cash at completion.

Both sales are subject to the satisfaction of customary regulatory approvals and conditions precedent and are expected to complete by the end of October 2018.

Significant joint operations that have been classified as assets and liabilities held for sale are listed below:

Significant joint operations	Country of operation	Principal activity	Group interest [1] 2018 %	2017 %
Eagle Ford	US	Hydrocarbons exploration and production	**<1-100**	<1-100
Fayetteville	US	Hydrocarbons exploration and production	**<1-100**	<1-100
Haynesville	US	Hydrocarbons exploration and production	**<1-100**	<1-100
Permian	US	Hydrocarbons exploration and production	**<1-100**	<1-100

(1) Ranges reflect the Group s interest in multiple joint arrangements within the joint operation.

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The contribution of Discontinued operations included within the Group s profit and cash flows are detailed below:

Income statement Discontinued operations

	2018 US$M	2017 US$M	2016 US$M
Revenue	**2,171**	2,150	2,345
Other income	**34**	74	12
Expenses excluding net finance costs	**(5,790)**	(3,025)	(11,396)
Loss from operations	**(3,585)**	(801)	(9,039)
Financial expenses	**(22)**	(14)	(11)
Net finance costs	**(22)**	(14)	(11)
Loss before taxation	**(3,607)**	(815)	(9,050)
Income tax benefit	**686**	343	3,155
Loss after taxation	**(2,921)**	(472)	(5,895)
Attributable to non-controlling interests	**26**	13	(49)
Attributable to BHP shareholders	**(2,947)**	(485)	(5,846)
Basic loss per ordinary share (cents)	**(55.4)**	(9.1)	(109.8)
Diluted loss per ordinary share (cents)	**(55.4)**	(9.1)	(109.8)

The total comprehensive income attributable to BHP shareholders from Discontinued operations was a loss of US$2,943 million (2017: loss of US$489 million; 2016: loss of US$5,846 million).

The conversion of options and share rights would decrease the loss per share for the years ended 30 June 2018, 2017 and 2016 and therefore its impact has been excluded from the diluted earnings per share calculation.

Cash flows from Discontinued operations

	2018 US$M	2017 US$M	2016 US$M
Net operating cash flows	**900**	928	785
Net investing cash flows [1]	**(861)**	(437)	(1,227)
Net financing cash flows [2]	**(40)**	(28)	(32)
Net (decrease)/increase in cash and cash equivalents from Discontinued operations	**(1)**	463	(474)

[1] Includes purchases of property, plant and equipment of US$900 million (2017: US$555 million; 2016: US$1,239 million), capitalised exploration of US$ nil (2017: US$ nil; 2016: US$2 million) less proceeds from sale of assets of US$39 million (2017: US$118 million; 2016: US$14 million).

[2] Includes net repayment of interest bearing liabilities of US$4 million (2017: US$6 million; 2016: US$7 million), distribution/(contribution) to non-controlling interests of US$14 million (2017: US$16 million; 2016: US$(1) million) and dividends paid to non-controlling interests of US$22 million (2017: US$6 million; 2016: US$26 million).

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Assets and liabilities held for sale

The assets and liabilities classified as current assets and liabilities held for sale are presented in the table below:

	2018 US$M
Assets	
Trade and other receivables	**529**
Other financial assets	**2**
Inventories	**36**
Property, plant and equipment	**10,672**
Intangible assets	**667**
Other	**33**
Total assets	**11,939**
Liabilities	
Trade and other payables	**725**
Interest bearing liabilities	**5**
Other financial liabilities	**3**
Provisions	**489**
Total liabilities	**1,222**
Net assets	**10,717**

Exceptional items Discontinued operations

Exceptional items are those gains or losses where their nature, including the expected frequency of the events giving rise to them, and amount is considered material to the Financial Statements. Such items related to Discontinued operations included within the Group s profit for the year are detailed below:

Year ended 30 June 2018	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
US tax reform		**492**	**492**
Impairment of Onshore US assets	**(2,859)**	**109**	**(2,750)**
Total	**(2,859)**	**601**	**(2,258)**
Attributable to non-controlling interests			
Attributable to BHP shareholders	**(2,859)**	**601**	**(2,258)**

US tax reform

On 22 December 2017, the US President signed the Tax Cuts and Jobs Act (TCJA) into law. The TCJA (effective 1 January 2018) includes a broad range of tax reforms affecting the Group, including, but not limited to, a reduction in the US corporate tax rate from 35 per cent to 21 per cent and changes to international tax provisions. As a result of the TCJA, the Group has recognised an exceptional income tax benefit of US$492 million relating to the re-measurement of the Onshore US deferred tax positions arising from temporary differences.

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Impairment of Onshore US assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. At 30 June 2018, the Onshore US assets, including goodwill, have been allocated to two CGUs reflecting the separately identifiable cash flows expected from the divestment of the assets.

The Group recognised impairment charges as follows:

Cash generating unit	Property, plant and equipment US$M	Goodwill US$M	Total US$M
Petrohawk		(2,253)	(2,253)
Fayetteville	(520)	(86)	(606)
Total impairment of non-current assets	**(520)**	**(2,339)**	**(2,859)**

The charges reflect a robust and competitive exit process with fair value based on the agreed sales consideration (Level 2 of the fair value hierarchy) less expected costs of disposal.

In previous reporting periods the Group performed impairment testing of the five individual Onshore US assets as each asset had separately identifiable cash flows. In addition, the goodwill attributable to the Onshore US group of CGUs (2017: US$3,022 million) was tested for impairment after the assessment of the individual CGUs. The recoverable amount determinations for the Onshore US CGUs were based on FVLCD using discounted cash flow techniques. The FVLCD calculations were based primarily on Level 3 inputs and significant assumptions included management s assessment of a market participant s perspective of crude oil and natural gas prices, production volumes and discount rates.

Year ended 30 June 2017

There were no exceptional items related to Discontinued operations for the year ended 30 June 2017.

Year ended 30 June 2016	Gross US$M	Tax US$M	Net US$M
Exceptional items by category			
Impairment of Onshore US assets	(7,184)	2,300	(4,884)
Total	(7,184)	2,300	(4,884)
Attributable to non-controlling interests	(80)	29	(51)
Attributable to BHP shareholders	(7,104)	2,271	(4,833)

Impairment of Onshore US assets

The Group recognised an impairment charge of US$4,884 million (after tax benefit) against the carrying value of its Onshore US assets in the year ended 30 June 2016. The impairment reflects changes to price assumptions, discount rates and development plans. This follows significant volatility and much weaker prices experienced in the oil and gas industry, which have more than offset the Group s substantial productivity improvements.

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27 Subsidiaries

Significant subsidiaries of the Group are those with the most significant contribution to the Group s net profit or net assets. The Group s interest in the subsidiaries results are listed in the table below. For a complete list of the Group s subsidiaries, refer to Exhibit 8.1 List of Subsidiaries.

Significant subsidiaries	Country of incorporation	Principal activity	Group interest 2018 %	2017 %
Coal				
BHP Billiton Mitsui Coal Pty Ltd	Australia	Coal mining	**80**	80
Hunter Valley Energy Coal Pty Ltd	Australia	Coal mining	**100**	100
Copper				
BHP Billiton Olympic Dam Corporation Pty Ltd	Australia	Copper and uranium mining	**100**	100
Compañía Minera Cerro Colorado Limitada	Chile	Copper mining	**100**	100
Minera Escondida Limitada (1)	Chile	Copper mining	**57.5**	57.5
Minera Spence S.A.	Chile	Copper mining	**100**	100
Iron Ore				
BHP Billiton Iron Ore Pty Ltd	Australia	Service company	**100**	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore and coal mining	**100**	100
BHP Iron Ore (Jimblebar) Pty Ltd (2)	Australia	Iron ore mining	**85**	85
BHP Billiton (Towage Service) Pty Ltd	Australia	Freight services	**100**	100
Marketing				
BHP Billiton Freight Singapore Pte Limited	Singapore	Freight services	**100**	100
BHP Billiton Marketing AG	Switzerland	Marketing and trading	**100**	100
BHP Billiton Marketing Asia Pte Ltd	Singapore	Marketing support and other services	**100**	100
Group and Unallocated				
BHP Billiton Canada Inc.	Canada	Potash development	**100**	100
BHP Billiton Finance BV	The Netherlands	Finance	**100**	100
BHP Billiton Finance Limited	Australia	Finance	**100**	100
BHP Billiton Finance (USA) Ltd	Australia	Finance	**100**	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton International Services Ltd	UK	Service company	**100**	100
BHP Billiton Nickel West Pty Ltd	Australia	Nickel mining, smelting, refining and administrative services	**100**	100
WMC Finance (USA) Limited	Australia	Finance	**100**	100

(1) As the Group has the ability to direct the relevant activities at Minera Escondida Limitada, it has control over the entity. The assessment of the most relevant activity in this contractual arrangement is subject to judgement. The Group establishes the mine plan and the operating budget and has the ability to appoint the key management

personnel, demonstrating that the Group has the existing rights to direct the relevant activities of Minera Escondida Limitada.

(2) The Group has an effective interest of 92.5 per cent in BHP Iron Ore (Jimblebar) Pty Ltd; however, by virtue of the shareholder agreement with ITOCHU Minerals & Energy of Australia Pty Ltd and Mitsui & Co. Iron Ore Exploration & Mining Pty Ltd, the Group s interest in the Jimblebar mining operation is 85 per cent, which is consistent with the other respective contractual arrangements at Western Australia Iron Ore.

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28 Investments accounted for using the equity method

Significant interests in equity accounted investments of the Group are those with the most significant contribution to the Group s net profit or net assets. The Group s ownership interest in equity accounted investments results are listed in the table below. For a complete list of the Group s associates and joint ventures, refer to Exhibit 8.1 List of Subsidiaries.

Significant associates and joint ventures	Country of incorporation/ principal place of business	Associate or joint venture	Principal activity	Reporting date	Ownership interest 2018 %	Ownership interest 2017 %
Cerrejón	Anguilla/ Colombia/Ireland	Associate	Coal mining in Colombia	31 December	**33.33**	33.33
Compañía Minera Antamina S.A. (Antamina)	Peru	Associate	Copper and zinc mining	31 December	**33.75**	33.75
Samarco Mineração S.A. (Samarco)	Brazil	Joint venture	Iron ore mining	31 December	**50.00**	50.00

Voting in relation to relevant activities in Antamina and Cerrejón, determined to be the approval of the operating and capital budgets, does not require unanimous consent of all participants to the arrangement, therefore joint control does not exist. Instead, because the Group has the power to participate in the financial and operating policies of the investee, these investments are accounted for as associates.

Samarco is jointly owned by BHP Billiton Brasil and Vale. As the Samarco entity has the rights to the assets and obligations to the liabilities relating to the joint arrangement and not its owners, this investment is accounted for as a joint venture.

The Group is restricted in its ability to make dividend payments from its investments in associates and joint ventures as any such payments require the approval of all investors in the associates and joint ventures. The ownership interest at the Group s and the associates or joint ventures reporting dates are the same. When the annual financial reporting date is different to the Group s, financial information is obtained as at 30 June in order to report on an annual basis consistent with the Group s reporting date.

The movement for the year in the Group s investments accounted for using the equity method is as follows:

Year ended 30 June 2018 US$M	**Investment in associates**	**Investment in joint ventures**	**Total equity accounted investments**
At the beginning of the financial year	**2,448**		**2,448**
Profit/(loss) from equity accounted investments, related impairments and expenses [1]	**656**	**(509)**	**147**
Investment in equity accounted investments	**62**	**80**	**142**
Dividends received from equity accounted investments	**(693)**		**(693)**
Other		**429**	**429**

At the end of the financial year	**2,473**	**2,473**

(1) US$(509) million represents US$(80) million share of loss from US$(80) million funding provided during the period and US$(429) million movement in the Samarco dam failure provision including US$(560) million change in estimate and US$131 million exchange translation. Refer to note 3 Significant events Samarco dam failure for further information.

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The following table summarises the financial information relating to each of the Group s significant equity accounted investments. BHP Billiton Brasil s 50 per cent portion of Samarco s commitments, for which BHP Billiton Brasil has no funding obligation, is US$550 million (2017: US$750 million).

2018	**Associates**			**Joint ventures**		
US$M	**Antamina**	**Cerrejón**	**Individually immaterial** [1]	**Samarco** [2]	**Individually immaterial**	**Total**
Current assets	**1,099**	**1,187**		**79** [3]		
Non-current assets	**4,385**	**2,485**		**6,023**		
Current liabilities	**(532)**	**(585)**		**(5,811)** [4]		
Non-current liabilities	**(1,064)**	**(663)**		**(4,265)** [5]		
Net assets/(liabilities) 100%	**3,888**	**2,424**		**(3,974)**		
Net assets/(liabilities) Group share	**1,312**	**808**		**(1,987)**		
Adjustments to net assets related to accounting policy adjustments	**1**	**75**		**357** [6]		
Impairment of the carrying value of the investment in Samarco				**(525)** [7]		
Additional share of Samarco losses				**2,092** [8]		
Unrecognised losses				**63** [9]		
Carrying amount of investments accounted for using the equity method	**1,313**	**883**	**277**			**2,473**
Revenue 100%	**4,262**	**2,453**		**30**		
Profit/(loss) from Continuing operations 100%	**1,613**	**576**		**(1,558)** [10]		
Share of operating profit/(loss) of equity accounted investments	**544**	**192**		**(823)**		
Additional share of Samarco losses				**251**		
Unrecognised losses				**63** [9]		
Profit/(loss) from equity accounted investments, related impairments and expenses	**544**	**192**	**(80)**	**(509)**		**147**
Comprehensive income 100%	**1,613**	**576**		**(1,558)**		
Share of comprehensive income/(loss) Group share in equity accounted investments	**544**	**192**	**(80)**	**(509)**		**147**
Dividends received from equity accounted investments	**496**	**181**	**16**			**693**

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2017 US$M	Associates			Joint ventures		
	Antamina	Cerrejón	Individually immaterial [1]	Samarco [2]	Individually immaterial	Total
Current assets	995	782		174 [3]		
Non-current assets	4,273	2,540		6,128		
Current liabilities	(530)	(364)		(5,236) [4]		
Non-current liabilities	(993)	(621)		(3,482) [5]		
Net assets/(liabilities) 100%	3,745	2,337		(2,416)		
Net assets/(liabilities) Group share	1,264	779		(1,208)		
Adjustments to net assets related to accounting policy adjustments	1	80		401 [6]		
Impairment of the carrying value of the investment in Samarco				(525) [7]		
Additional share of Samarco losses				1,332		
Carrying amount of investments accounted for using the equity method	1,265	859	324			2,448
Revenue 100%	3,317	2,247		28		
Profit/(loss) from Continuing operations 100%	1,010	388		(1,520) [10]		
Share of operating profit/(loss) of equity accounted investments	341	129		(760)		
Additional share of Samarco losses				588		
Profit/(loss) from equity accounted investments, related impairments and expenses	341	129	(26)	(172)		272
Comprehensive income 100%	1,010	388		(1,520)		
Share of comprehensive income/(loss) Group share in equity accounted investments	341	129	(26)	(172)		272
Dividends received from equity accounted investments	425	163	32			620

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2016	Associates			Joint ventures		
US$M	Antamina	Cerrejón	Individually immaterial	Samarco [2]	Individually immaterial	Total
Revenue 100%	2,639	1,575		937		
Profit/(loss) from Continuing operations 100%	606	(73)		(2,182)		
Share of operating profit/(loss) of equity accounted investments	203	(24)	(39)	(1,091) [11]		(951)
Samarco dam failure provision expense				(628) [7]		(628)
Impairment of the carrying value of the investment in Samarco				(525) [7]		(525)
Profit/(loss) from equity accounted investments, related impairments and expenses	203	(24)	(39)	(2,244)		(2,104)
Comprehensive income 100%	606	(73)		(2,182)		
Share of comprehensive income/(loss) Group share in equity accounted investments	203	(24)	(39)	(2,244)		(2,104)
Dividends received from equity accounted investments	233	29	31			293

(1) The unrecognised share of losses for the period was US$56 million (2017: unrecognised share of profits for the period was US$21 million), which increased the cumulative losses to US$196 million (2017: decrease to US$140 million).

(2) Refer to note 3 Significant events Samarco dam failure for further information regarding the financial impact of the Samarco dam failure in November 2015 on BHP Billiton Brasil s share of Samarco s losses.

(3) Includes cash and cash equivalents of US$23 million (2017: US$29 million).

(4) Includes current financial liabilities (excluding trade and other payables and provisions) of US$5,066 million (2017: US$4,581 million).

(5) Includes non-current financial liabilities (excluding trade and other payables and provisions) of US$nil (2017: US$1 million).

(6) Relates mainly to dividends declared by Samarco that remain unpaid at balance date and which, in accordance with the Group s accounting policy, are recognised when received not receivable.

(7)

BHP Billiton Brasil has adjusted its investment in Samarco to US$ nil (resulting from US$(655) million share of loss from Samarco and US$(525) million impairment) and recognised a provision of US$(1,200) million for obligations under the Framework Agreement. US$(572) million of the US$(1,200) million provision represents an additional share of loss from Samarco with the remaining US$(628) million recognised as provision expense.

(8) BHP Billiton Brasil has recognised accumulated additional share of Samarco losses of US($2,092) million resulting from US$(214) million share of loss from funding provided to Samarco and US$(1,878) million relating to obligations under the Framework Agreement, including US$(211) million recognised as net finance costs.

(9) Share of Samarco s losses for which BHP Billiton Brasil does not have an obligation to fund.

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(10) Includes depreciation and amortisation of US$73 million (2017: US$88 million; 2016: US$148 million), interest income of US$31 million (2017: US$57 million; 2016: US$43 million), interest expense of US$385 million (2017: US$473 million; 2016: US$209 million) and income tax (expense)/benefit of US$(154) million (2017: US$(851) million; 2016: US$564 million).

(11) US$(1,091) million represents US$(1,227) million share of loss relating to the Samarco dam failure (exceptional item) and US$136 million share of operating profit prior to the dam failure.

29 Interests in joint operations

Significant joint operations of the Group are those with the most significant contributions to the Group s net profit or net assets. The Group s interest in the joint operations results are listed in the table below. For a list of significant joint operations of the Group classified as held for sale refer to note 26 Discontinued operations . For a complete list of the Group s investments in joint operations, refer to Exhibit 8.1 List of Subsidiaries.

			Group interest	
			2018	2017
Significant joint operations	**Country of operation**	**Principal activity**	**%**	%
Bass Strait	Australia	Hydrocarbons production	**50**	50
Greater Angostura	Trinidad and Tobago	Hydrocarbons production	**45**	45
Gulf of Mexico	US	Hydrocarbons exploration and production	**23.9 44**	23.9 44
Macedon (1)	Australia	Hydrocarbons exploration and production	**71.43**	71.43
North West Shelf	Australia	Hydrocarbons production	**12.5 16.67**	12.5 16.67
Pyrenees (1)	Australia	Hydrocarbons exploration and production	**40 71.43**	40 71.43
ROD Integrated Development (2)	Algeria	Hydrocarbons exploration and production	**29.50**	29.50
Mt Goldsworthy (3)	Australia	Iron ore mining	**85**	85
Mt Newman (3)	Australia	Iron ore mining	**85**	85
Yandi (3)	Australia	Iron ore mining	**85**	85
Central Queensland Coal Associates	Australia	Coal mining	**50**	50

(1) While the Group holds a greater than 50 per cent interest in these joint operations, all the participants in these joint operations approve the operating and capital budgets and therefore the Group has joint control over the relevant activities of these arrangements.

(2) Group interest reflects the working interest and may vary year-on-year based on the Group s effective interest in producing wells.

(3) These contractual arrangements are controlled by the Group and do not meet the definition of joint operations. However, as they are formed by contractual arrangement and are not entities, the Group recognises its share of assets, liabilities, revenue and expenses arising from these arrangements.

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Assets held in joint operations subject to significant restrictions are as follows:

	Group share	
	2018	2017
	US$M	US$M [2]
Current assets	**2,445**	2,755
Non-current assets	**36,144**	51,446
Total assets [1]	**38,589**	54,201

[1] While the Group is unrestricted in its ability to sell a share of its interest in these joint operations, it does not have the right to sell individual assets that are used in these joint operations without the unanimous consent of the other participants. The assets in these joint operations are also restricted to the extent that they are only available to be used by the joint operation itself and not by other operations of the Group.

[2] Includes US$14,408 million related to Onshore US assets.

30 Related party transactions

The Group s related parties are predominantly subsidiaries, joint operations, joint ventures and associates and key management personnel of the Group. Disclosures relating to key management personnel are set out in note 21 Key management personnel . Transactions between each parent company and its subsidiaries are eliminated on consolidation and are not disclosed in this note.

All transactions to/from related parties are made at arm s length, i.e. at normal market prices and rates and on normal commercial terms.

Outstanding balances at year-end are unsecured and settlement occurs in cash. Loan amounts owing from related parties represent secured loans made to joint operations, associates and joint ventures 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 by 16 August 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.

There were no other related party transactions in the year ended 30 June 2018 (2017: US$ nil), other than those with post-employment benefit plans for the benefit of Group employees. These are shown in note 24 Pension and other post-retirement obligations .

Transactions with related parties

Further disclosures related to other related party transactions are as follows:

	Joint operations		**Joint ventures**		**Associates**	
	2018 US$M	2017 US$M	**2018 US$M**	2017 US$M	**2018 US$M**	2017 US$M
Sales of goods/services						
Purchases of goods/services					**1,358.016**	1,052.885
Interest income	**1.764**	1.850			**19.337**	34.911
Interest expense		0.010				0.006
Dividends received					**693.105**	619.894
Net loans made to/(repayments from) related parties	**60.566**	(82.701)			**(599.979)**	(272.276)

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Outstanding balances with related parties

Disclosures in respect of amounts owing to/from joint operations represent the amount that does not eliminate on consolidation.

	Joint operations		**Joint ventures**		**Associates**	
	2018	2017	**2018**	2017	**2018**	2017
	US$M	US$M	**US$M**	US$M	**US$M**	US$M
Trade amounts owing to related parties					**210.716**	217.803
Loan amounts owing to related parties	**55.667**	118.288			**4.097**	39.097
Trade amounts owing from related parties					**3.932**	3.083
Loan amounts owing from related parties	**18.089**	20.144			**12.939**	647.918

Unrecognised items and uncertain events

31 Commitments

The Group s commitments for capital expenditure were US$2,110 million as at 30 June 2018 (2017: US$2,084 million). The Group s other commitments are as follows:

	Commitments under finance leases		**Commitments under operating leases**	
	2018	2017	**2018**	2017
	US$M	US$M	**US$M**	US$M
Due not later than one year	**127**	135	**388**	420
Due later than one year and not later than five years	**448**	475	**785**	672
Due later than five years	**590**	705	**839**	660
Total	**1,165**	1,315	**2,012**	1,752
Future financing liability	**(363)**	(418)		
Right to reimbursement from joint operations partner				
Finance lease liability	**802**	897		

Finance leases include leases of power generation and transmission assets. Certain lease payments may be subject to inflation escalation clauses on which contingent rentals are determined. The leases contain extension and renewal options.

Operating leases include leases of 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.

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32 Contingent liabilities

	2018	2017
	US$M	US$M
Associates and joint ventures [(1)]	**1,588**	1,784
Subsidiaries and joint operations [(1)]	**1,915**	1,825
Total	**3,503**	3,609

(1) There are a number of matters, for which it is not possible at this time to provide a range of possible outcomes or a reliable estimate of potential future exposures, and for which no amounts have been included in the table above.

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability may also be a present obligation arising from past events but is not recognised on the basis that an outflow of economic resources to settle the obligation is not viewed as probable, or the amount of the obligation cannot be reliably measured.

When the Group has a present obligation, an outflow of economic resources is assessed as probable and the Group can reliably measure the obligation, a provision is recognised.

The Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance, which are in the normal course of business. The likelihood of these guarantees being called upon is considered remote.

The Group presently has tax matters, litigation and other claims, for which the timing of resolution and potential economic outflow are uncertain. Obligations assessed as having probable future economic outflows capable of reliable measurement are provided at reporting date and matters assessed as having possible future economic outflows capable of reliable measurement are included in the total amount of contingent liabilities above. Individually significant matters, including narrative on potential future exposures incapable of reliable measurement, are disclosed below, to the extent that disclosure does not prejudice the Group.

Uncertain tax and royalty matters

The Group is subject to a range of taxes and royalties across many jurisdictions, the application of which is uncertain in some regards. Changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings result in uncertainty of the outcome of the application of taxes and royalties to our business. Areas of uncertainty at reporting date include the application of taxes and royalties (including transfer pricing) to the Group s cross-border operations and transactions.

Details of uncertain tax and royalty matters have been disclosed in note 5 Income tax expense . To the extent uncertain tax and royalty matters give rise to a contingent liability, an estimate of the potential liability is included within the table above, where it is capable of reliable measurement.

Samarco contingent liabilities

The table above includes contingent liabilities related to the Group s equity accounting investment in Samarco to the extent they are capable of reliable measurement. Details of contingent liabilities related to Samarco are disclosed in note 3 Significant events Samarco dam failure .

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Demerger of South32 As part of the demerger of South32 Limited (South32) in May 2015, certain indemnities were agreed under the Separation Deed. Subject to certain exceptions, BHP Billiton Limited indemnifies South32 against claims and liabilities relating to the Group Businesses and former Group Businesses prior to the demerger and South32 indemnifies the Group against all claims and liabilities relating to the South32 Businesses and former South32 Businesses. No material claims have been made pursuant to the Separation Deed as at 30 June 2018.

33 Subsequent events

Other than the matters outlined in the 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 Group in subsequent accounting periods.

Other items

34 Acquisitions and disposals of subsidiaries, operations, joint operations and equity accounted investments

Acquisitions

There were no material acquisitions made during the years ended 30 June 2018, 2017 and 2016.

Divestments

The Group disposed of the following subsidiaries, operations, joint operations and equity accounted investments during the year ended:

30 June 2018

There were no divestments completed during the year ended 30 June 2018.

30 June 2017

BHP Navajo Coal Company

IndoMet Coal

30 June 2016

Pakistan gas business

San Juan Mine

	2018 US$M	2017 US$M	2016 US$M
Net assets disposed		189	153
Gross cash consideration		187	168
Less cash and cash equivalents disposed			(2)
Total consideration		187	166
Other effects [1]			1
Net (loss)/gain on disposal recognised in other income		(2)	14

[1] Other effects include deferred consideration of US$ nil for 30 June 2018 (2017: US$ nil; 2016: US$1 million).

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35 Auditor s remuneration

	2018	2017	2016
	US$M	US$M	US$M
Fees payable to the Group s auditors for assurance services			
Audit of the Group s Annual Report	**3.909**	3.381	3.126
Audit of subsidiaries, joint ventures and associates	**13.902**	7.040	7.715
Audit-related assurance services	**4.039**	3.597	3.493
Other assurance services	**1.343**	1.849	1.508
Total assurance services	**23.193**	15.867	15.842
Fees payable to the Group s auditors for other services			
Other services relating to corporate finance	**0.104**	0.042	0.276
All other services	**0.553**	0.589	0.815
Total other services	**0.657**	0.631	1.091
Total fees	**23.850**	16.498	16.933

All amounts were paid to KPMG or KPMG affiliated firms. Fees are determined in local currencies and are predominantly billed in US dollars based on the exchange rate at the beginning of the relevant financial year.

Fees payable to the Group s auditors for assurance services

For all periods disclosed, no fees are payable in respect of the audit of pension funds.

Audit of subsidiaries, joint ventures and associates comprise audits of the Group s subsidiaries, joint ventures and associates including additional non-recurring audits fees in FY2018 in connection with the sale of the Onshore US oil and gas assets.

Audit-related assurance services comprise review of half-year reports and audit work in relation to compliance with section 404 of the US Sarbanes-Oxley Act.

Other assurance services comprise assurance in respect of the Group s sustainability reporting.

Fees payable to the Group s auditors for other services

Other services relating to corporate finance comprise services in connection with debt raising transactions.

All other services comprise non-statutory assurance based procedures, advice on accounting matters, as well as tax compliance services of US$ nil (2017: US$0.027 million; 2016: US$0.089 million).

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36 Not required for US reporting

37 Deed of Cross Guarantee

BHP Billiton Limited together with wholly owned subsidiaries identified in Exhibit 8.1 List of Subsidiaries entered into a Deed of Cross Guarantee (Deed) on 6 June 2016. The effect of the Deed is that BHP Billiton Limited has guaranteed to pay any outstanding liabilities upon the winding up of any wholly owned subsidiary that is party to the Deed. Wholly owned subsidiaries that are party to the Deed have also given a similar guarantee in the event that BHP Billiton Limited or another party to the Deed is wound up.

The wholly owned Australian subsidiaries identified in Exhibit 8.1 List of Subsidiaries are relieved from the requirements to prepare and lodge audited financial reports.

A Consolidated Statement of Comprehensive Income and Retained Earnings and Consolidated Balance Sheet, comprising BHP Billiton Limited and the wholly owned subsidiaries that are party to the Deed for the year ended 30 June 2018 and 30 June 2017 are as follows:

Consolidated Statement of Comprehensive Income and Retained Earnings	**2018 US$M**	2017 US$M
Revenue	**20,434**	19,394
Other income	**3,188**	4,988
Expenses excluding net finance costs	**(12,693)**	(12,085)
Net finance costs	**(470)**	(591)
Income tax expense	**(2,218)**	(2,351)
Profit after taxation	**8,241**	9,355
Total other comprehensive income	**12**	18
Total comprehensive income	**8,253**	9,373
Retained earnings at the beginning of the financial year	**45,979**	40,462
Net effect on retained earnings of entities added to/removed from the Deed	**48**	(1,699)
Profit after taxation for the year	**8,241**	9,355
Transfers to and from reserves	**(15)**	33
Dividends	**(5,811)**	(2,172)
Retained earnings at the end of the financial year	**48,442**	45,979

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Consolidated Balance Sheet	**2018 US$M**	2017 US$M
ASSETS		
Current assets		
Cash and cash equivalents	**2**	1
Trade and other receivables	**3,977**	3,541
Loans to related parties	**16,730**	14,081
Inventories	**1,649**	1,536
Other	**90**	72
Total current assets	**22,448**	19,231
Non-current assets		
Trade and other receivables	**73**	76
Loans to related parties	**151**	335
Inventories	**323**	278
Property, plant and equipment	**31,009**	30,579
Intangible assets	**444**	550
Investments in Group companies	**27,354**	27,816
Deferred tax assets	**329**	402
Other	**68**	59
Total non-current assets	**59,751**	60,095
Total assets	**82,199**	79,326
LIABILITIES		
Current liabilities		
Trade and other payables	**3,425**	2,762
Loans from related parties	**15,719**	15,978
Interest bearing liabilities	**115**	202
Current tax payable	**1,053**	1,318
Provisions	**952**	683
Deferred income	**6**	8
Total current liabilities	**21,270**	20,951
Non-current liabilities		
Trade and other payables	**3**	3
Loans from related parties	**7,870**	7,660
Interest bearing liabilities	**191**	251
Deferred tax liabilities	**573**	613
Provisions	**2,475**	2,479
Deferred income	**18**	21
Total non-current liabilities	**11,130**	11,027
Total liabilities	**32,400**	31,978

Net assets	**49,799**	47,348
EQUITY		
Share capital BHP Billiton Limited	**1,186**	1,186
Treasury shares	**(5)**	(1)
Reserves	**176**	184
Retained earnings	**48,442**	45,979
Total equity	**49,799**	47,348

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38 New and amended accounting standards and interpretations

The Group adopted the amendment to IAS 7 Statement of Cash Flows: Disclosure Initiative in the current year. This amendment requires disclosure about changes in liabilities arising from financing activities, including changes arising from financing cash flows and non-cash changes (such as foreign exchange gains or losses). While having no impact on the primary financial statements, an additional reconciliation has been provided in note 20 Financial risk management to comply with this amendment. This amendment has been endorsed by the EU.

There are no other new or amended accounting standards or interpretations adopted for the first time during the year that have a significant impact on these Financial Statements.

Issued but not yet effective

The following new accounting standards and interpretations will become effective for future reporting periods and may have a significant impact on the income statement or net assets of the Group.

Applicable from 1 July 2018

The following accounting standards and interpretations are applicable to the Group from 1 July 2018. The impacts of these are currently expected to be immaterial, although industry application of these standards continues to develop.

Title of standard / interpretation	Summary of impact on the Financial Statements
IFRS 15/AASB 15 Revenue from Contracts with Customers	This standard modifies the determination of when to recognise revenue and how much revenue to recognise. Revenue is recognised when control of the promised goods or services pass to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.
	The Group has undertaken a process of understanding the standard contractual arrangements across its principal revenue streams, particularly key terms and conditions which may impact revenue recognition. In addition, detailed reviews of a representative sample of individual contracts across all the Group s revenue streams have been completed. While no significant changes in accounting arising from the implementation of the new standard have been identified, the following points are noted.
	Certain of the Group s sales are provisionally priced, where the final price depends on future index prices. Any adjustments between the provisional and final price are accounted for under IFRS 9/AASB 9 Financial Instruments and will be recognised as other revenue. Where applicable, system and process changes have been implemented to appropriately measure and capture this data for disclosure.

A significant proportion of the Group s products are sold on Cost, Insurance and Freight (CIF) or Cost and Freight (CFR) Incoterms, where the Group is required to provide freight and shipping services after the date at which the goods have transferred to the customer. Revenue from freight and shipping services, currently recognised when the product is loaded onto the ship, should be treated as a separate performance obligation under the new standard and recognised over time. The impact of this is immaterial at 30 June 2018.

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Title of standard / interpretation	Summary of impact on the Financial Statements
	Certain sales contracts require the Group to physically deliver unrefined concentrate. Revenue is currently recognised at the gross value of the final refined metal content delivered with contractually agreed treatment costs and refining charges recorded as an expense. While having no net income statement impact, under the new standard the treatment costs and refining charges must be recognised as a reduction to revenue. The impact of applying this change during the year ended 30 June 2018 would have been to reduce revenue and expenses, respectively by US$509 million with no impact on profit.
	The Group participates in certain arrangements which entitle it to a proportion of the physical output of an operation. Currently, the Group recognises revenue to the extent of its entitlement. Under the new standard, all product sold by the Group to third parties in a period will be recognised as revenue from contracts with customers. Any difference to the Group s entitlement represents a form of revenue or is closely connected to revenue transactions and will therefore be recognised as other revenue.
	Revenues from the sale of significant by-products are within the scope of the new standard and will continue to be included in revenue.
	The Group expects to apply the full retrospective transition approach, resulting in the restatement of comparative information where applicable.
IFRS 9/AASB 9 Financial Instruments	This standard revises the classification and measurement of financial assets and financial liabilities, introduces a forward looking expected credit loss impairment model and modifies the approach to hedge accounting.
	The Group has undertaken a comprehensive analysis of the impact of the new standard based on the financial instruments it holds and the way in which they are used with no material impact on the face of balance sheet or in the income statement expected. However, there will be presentational changes in some of our note disclosures, as well as additional disclosures around classification and measurement of financial instruments. Adoption impacts include:

The new standard requires classification and measurement of financial assets based on the business model in which they are managed and their cash flow characteristics. Under the new standard, the Group s financial assets will be classified as measured at amortised cost, fair value through profit or loss, or fair value through equity. No significant measurement impacts have been identified as a result of reclassifying financial assets into the categories required by the new standard. Equity investments currently classified as available for sale are expected to be carried at fair value with revaluation gains and losses recognised directly in equity with future recycling through the income statement no longer permitted. Gains and losses on this category of financial asset currently recognised in equity are immaterial. Classification of future equity investments will be considered on an instrument by instrument basis. For financial liabilities, the current classification and measurement requirements are largely retained.

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Title of standard / interpretation	Summary of impact on the Financial Statements
	Financial assets carried at amortised cost must be tested for impairment based on expected losses, as opposed to the current policy of recognising impairments only when there is objective evidence that a credit loss is present. This is not expected to have a significant impact given the Group s counterparty risk framework.
	The new standard amends the rules on hedge accounting to enable closer alignment between the Group s risk management strategy and the accounting outcomes. The standard broadens the scope of arrangements that may qualify for hedge accounting and allows for simplification of hedge designations. Certain of the Group s derivatives will be designated into simplified hedging relationships from 1 July 2018, with no material impact to net assets expected. Other changes under the standard mean that hedge effectiveness is only considered on a prospective basis with no set quantitative thresholds, certain costs of hedging, previously taken to the income statement, will be recognised directly in equity and voluntary de-designation of hedges is prohibited. The Group will monitor increased opportunities to apply hedge accounting in the future.
	The Group will adjust the opening balance sheet as of 1 July 2018, with no restatement of comparatives required.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	This interpretation clarifies the exchange rate to use on initial recognition of the related asset, expense or income when an entity receives or pays advance consideration in a foreign currency. The Group has made some minor changes to processes to comply with this interpretation.

Applicable from 1 July 2019 and beyond

The following accounting standards and interpretations are applicable to the Group from 1 July 2019 and beyond.

Title of standard / interpretation	Summary of impact on the Financial Statements
IFRS 16/AASB 16 Leases	This standard provides a new model for lessee accounting under which all leases with the exception of short-term (under 12 months) and low value leases, will be accounted for by the recognition on the balance sheet of a right of use asset and a corresponding lease liability. Lease costs will be recognised in the income statement over the lease term in the form of depreciation on the right of use asset and finance charges representing the unwind of the discount on the lease liability.

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Title of standard / interpretation	Summary of impact on the Financial Statements
	The Group has progressed its implementation project, focusing on a review of contracts, aggregation of data to support the evaluation of the accounting impacts of applying the new standard and assessment of the need for changes to systems and processes. While the Group s evaluation of the effect of adopting the standard is ongoing, it is expected that it will have a material effect on the Group s Financial Statements, significantly increasing the Group s recognised assets and liabilities. Further, compared with the existing accounting for operating leases, the classification and timing of expenses will be impacted and consequently the classification between cash flow from operating activities and cash flow from financing activities. Many commonly used financial ratios and performance metrics, using existing definitions, will also be impacted including net debt, gearing, EBITDA, unit costs and operating cash flows.
	The Group is considering available options for transition, which include either retrospective with restatement of comparatives or the modified approach with the cumulative impact of application recognised as at 1 July 2019.
	The Group s existing operating leases will be the main source of leases under the new standard. The impact of the standard continues to be assessed as it will be impacted by the transition approach selected by the Group and the lease population at the point of transition.
	Information on the undiscounted amount of the Group s operating lease commitments under IAS 17/AASB 117 Leases , the current leasing standard, is disclosed in note 31 Commitments .
IFRIC 23 Uncertainty over Income Tax Treatments [(1)]	This interpretation clarifies the application of the recognition and measurement requirements in IAS 12/AASB 112 Income Taxes for calculating provisions for uncertain tax positions. The Group is currently assessing the impact of the interpretation on its Financial Statements.
Conceptual Framework for Financial Reporting [(1)]	The revised framework may affect the application of IFRS in situations where no standard applies to a specific transaction or event. The Group is currently assessing the impact of the revised framework on its Financial Statements.

(1) IFRIC 23 and the Conceptual Framework for Financial Reporting have not been endorsed by the EU and hence are not available for early adoption in the EU.

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5.2 Not required for US reporting

5.2A Reports of Independent Registered Public Accounting Firms

Report of Independent Registered Public Accounting Firms

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of the BHP Group (comprising BHP Billiton Plc, BHP Billiton Limited and their respective subsidiaries) as of 30 June 2018 and 2017, the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for each of the years in the three-year period ended 30 June 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the BHP Group as of 30 June 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended 30 June 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the BHP Group s internal control over financial reporting as of 30 June 2018, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated 18 September 2018 expressed an unqualified opinion on the effectiveness of the BHP Group s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the BHP Group s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the BHP Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG	/s/ KPMG
KPMG LLP	KPMG
We have served as the BHP Group s auditor since 3 May 2002.	We have served as the BHP Group s auditor since 3 May 2002.
London, United Kingdom	Melbourne, Australia
18 September 2018	18 September 2018

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Report of Independent Registered Public Accounting Firms

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

Opinion on Internal Control Over Financial Reporting

We have audited the BHP Group s (comprising BHP Billiton Plc, BHP Billiton Limited and their respective subsidiaries) internal control over financial reporting as of 30 June 2018, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the BHP Group maintained, in all material respects, effective internal control over financial reporting as of 30 June 2018, based on criteria established in Internal Control Integrated Framework (2013) issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the BHP Group as of 30 June 2018 and 30 June 2017, the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for each of the years in the three-year period ended 30 June 2018, and the related notes (collectively, the consolidated financial statements), and our report dated 18 September 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The BHP Group s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying section 2.13.1 Risk and Audit Committee Report. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the BHP Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding

prevention or timely detection of unauthorised acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG	/s/ KPMG
KPMG LLP	KPMG
London, United Kingdom	Melbourne, Australia
18 September 2018	18 September 2018

5.3 Directors declaration

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

(a) in the Directors opinion and to the best of their knowledge the Financial Statements and notes, set out in sections 5.1 and 5.2, are in accordance with the UK Companies Act 2006 and the Australian Corporations Act 2001, including:

(i) complying with the applicable Accounting Standards;

(ii) giving a true and fair view of the assets, liabilities, financial position and profit or loss of each of BHP Billiton Limited, BHP Billiton Plc, the Group and the undertakings included in the consolidation taken as a whole as at 30 June 2018 and of their performance for the year ended 30 June 2018;

(b) the Financial Statements also comply with International Financial Reporting Standards, as disclosed in section 5.1;

(c) to the best of the Directors knowledge, the management report (comprising the Strategic Report and Directors Report) includes a fair review of the development and performance of the business and the financial position of the 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;

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

(e) in the Directors opinion, as at the date of this declaration, there are reasonable grounds to believe that BHP Billiton Limited and each of the Closed Group entities identified in Exhibit 8.1 List of Subsidiaries will be able to meet any liabilities to which they are or may become subject to, because of the Deed of Cross Guarantee between BHP Billiton Limited and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785;

(f) 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 2018.

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

Ken MacKenzie

Chairman

Andrew Mackenzie

Chief Executive Officer

Dated this 6th day of September 2018

5.4 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;
- assess the Group and parent company s ability to continue as a going concern, disclosing, as applicable, related matters;
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and

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 Strategic Report, 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 Group s website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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5.5 Not required for US reporting

5.6 Included as Item 5.2A

5.7 Supplementary oil and gas information unaudited

In accordance with the requirements of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Extractive Activities-Oil and Gas (Topic 932) and SEC requirements set out in Subpart 1200 of Regulation S-K, the Group is presenting certain disclosures about its oil and gas activities. These disclosures are presented below as supplementary oil and gas information, in addition to information disclosed in section 1.12.1 Petroleum and section 6.3.1 Petroleum reserves .

The information set out in this section is referred to as unaudited as it is not included in the scope of the audit opinion of the independent auditor on the Consolidated Financial Statements, refer to section 5.6 Independent Auditors reports .

On 27 July 2018, BHP announced that it had entered into agreements for the sale of its entire interests in its Eagle Ford, Haynesville, Permian and Fayetteville Onshore US oil and gas assets. The financial and non-financial impact of the Onshore US assets is included in the supplementary oil and gas information presented below. The financial and non-financial impact of these assets has been footnoted beneath each applicable table.

Reserves and production

Proved oil and gas reserves and net crude oil and condensate, natural gas, LNG and NGL production information is included in section 6.2.2 Production Petroleum and section 6.3.1 Petroleum reserves .

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Capitalised costs relating to oil and gas 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 provisions.

	Australia US$M	United States [1] US$M	Other [2] US$M	Total US$M
Capitalised cost				
2018				
Unproved properties	**10**	**4,528**	**202**	**4,740**
Proved properties	**16,258**	**43,885**	**2,424**	**62,567**
Total costs	**16,268**	**48,413**	**2,626**	**67,307**
Less: Accumulated depreciation, depletion, amortisation and valuation provisions	**(9,984)**	**(33,437)**	**(2,065)**	**(45,486)**
Net capitalised costs	**6,284**	**14,976**	**561**	**21,821**
2017				
Unproved properties	94	5,284	165	5,543
Proved properties	16,190	41,837	2,404	60,431
Total costs	16,284	47,121	2,569	65,974
Less: Accumulated depreciation, depletion, amortisation and valuation provisions	(9,085)	(30,969)	(1,984)	(42,038)
Net capitalised costs	7,199	16,152	585	23,936
2016				
Unproved properties	338	5,074	119	5,531
Proved properties	15,523	40,929	2,372	58,824
Total costs	15,861	46,003	2,491	64,355
Less: Accumulated depreciation, depletion, amortisation and valuation provisions	(8,364)	(28,664)	(1,938)	(38,966)
Net capitalised costs	7,497	17,339	553	25,389

(1) Net capitalised costs includes Onshore US assets of US$10,672 million (2017: US$11,803 million; 2016: US$12,844 million).

(2) Other is primarily comprised of Algeria, Pakistan (divested 31 December 2015), Trinidad and Tobago and the United Kingdom.

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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.

	Australia US$M	United States [3] US$M	Other [4] US$M	Total US$M
2018				
Acquisitions of proved property				
Acquisitions of unproved property		**9**		**9**
Exploration [1]	**25**	**418**	**291**	**734**
Development	**195**	**1,548**	**34**	**1,777**
Total costs [2]	**220**	**1,975**	**325**	**2,520**
2017				
Acquisitions of proved property				
Acquisitions of unproved property		12	62	74
Exploration [1]	32	471	235	738
Development	360	1,034	18	1,412
Total costs [2]	392	1,517	315	2,224
2016				
Acquisitions of proved property				
Acquisitions of unproved property	22	42		64
Exploration [1]	42	385	194	621
Development	412	1,254	200	1,866
Total costs [2]	476	1,681	394	2,551

(1) Represents gross exploration expenditure, including capitalised exploration expenditure, geological and geophysical expenditure and development evaluation costs charged to income as incurred.

(2) Total costs include US$1,970 million (2017: US$1,744 million; 2016: US$2,256 million) capitalised during the year.

(3) Total costs includes Onshore US assets of US$1,081 million (2017: US$608 million; 2016: US$862 million).

(4) Other is primarily comprised of Algeria and Trinidad and Tobago.

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Results of operations from oil and gas producing activities

The following information is similar to the disclosures in note 1 Segment reporting in section 5.1, 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.

	Australia US$M	United States [7] US$M	Other [8] US$M	Total US$M
2018				
Oil and gas revenue [1]	**3,229**	**3,747**	**421**	**7,397**
Production costs	**(701)**	**(1,312)**	**(121)**	**(2,134)**
Exploration expenses	**(25)**	**(270)**	**(254)**	**(549)**
Depreciation, depletion, amortisation and valuation provision [2]	**(1,045)**	**(2,842)**	**(81)**	**(3,968)**
Production taxes [3]	**(171)**		**(1)**	**(172)**
	1,287	**(677)**	**(36)**	**574**
Accretion expense [4]	**(81)**	**(46)**	**(14)**	**(141)**
Income taxes	**(418)**	**(723)**	**(124)**	**(1,265)**
Royalty-related taxes [5]	**(103)**			**(103)**
Results of oil and gas producing activities [6]	**685**	**(1,446)**	**(174)**	**(935)**
2017				
Oil and gas revenue [1]	2,876	3,479	356	6,711
Production costs	(533)	(1,515)	(200)	(2,248)
Exploration expenses	(32)	(242)	(206)	(480)
Depreciation, depletion, amortisation and valuation provision [2]	(814)	(2,592)	(91)	(3,497)
Production taxes [3]	(158)	(4)		(162)
	1,339	(874)	(141)	324
Accretion expense [4]	(56)	(32)	(14)	(102)
Income taxes	(361)	386	(142)	(117)
Royalty-related taxes [5]	(104)			(104)
Results of oil and gas producing activities [6]	818	(520)	(297)	1
2016				
Oil and gas revenue [1]	2,777	3,487	321	6,585
Production costs	(605)	(1,705)	(162)	(2,472)
Exploration expenses	(44)	(128)	(124)	(296)
	(720)	(10,569)	(90)	(11,379)

Depreciation, depletion, amortisation and valuation provision [2]				
Production taxes [3]	(132)	(13)	(2)	(147)
	1,276	(8,928)	(57)	(7,709)
Accretion expense [4]	(54)	(23)	(7)	(84)
Income taxes	(465)	3,047	(143)	2,439
Royalty-related taxes [5]	(206)		(4)	(210)
Results of oil and gas producing activities [6]	551	(5,904)	(211)	(5,564)

(1) Includes sales to affiliated companies of US$75 million (2017: US$83 million; 2016: US$118 million).

(2) Includes valuation provision of US$596 million (2017: US$102 million; 2016: US$7,232 million).

(3) Includes royalties and excise duty.

(4) Represents the unwinding of the discount on the closure and rehabilitation provision.

(5) Includes petroleum resource rent tax and petroleum revenue tax where applicable.

(6) 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 1 Segment reporting in section 5.1.

(7) Results of oil and gas producing activities includes Onshore US assets of US$(465) million (2017: US$(564) million; 2016: US$(5,855) million).

(8) Other is primarily comprised of Algeria, Pakistan (divested 31 December 2015), Trinidad and Tobago and the United Kingdom.

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

The following tables set out the standardised measure of discounted future net cash flows, and changes therein, related to the Group s estimated proved reserves as presented in section 6.3.1 Petroleum reserves , and should be read in conjunction with that disclosure.

The analysis is prepared in compliance with FASB Oil and Gas Disclosure requirements, applying certain prescribed assumptions under Topic 932 including the use of, unweighted average first-day-of-the-month market prices for the previous 12-months, year-end cost factors, currently enacted tax rates and an annual discount factor of 10 per cent to year end quantities of net proved reserves.

Certain key assumptions prescribed under Topic 932 are arbitrary in nature and may not prove to be accurate. The reserve estimates on which the Standard measure is based are subject to revision as further technical information becomes available or economic conditions change.

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Discounted future cash flows like those shown below are not intended to represent estimates of fair value. 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 commodity prices, exchange rates, development and production costs as well as alternative discount factors representing the time value of money and adjustments for risk inherent in producing oil and gas.

	Australia US$M	United States [(1)] US$M	Other [(2)] US$M	Total US$M
Standardised measure				
2018				
Future cash inflows	**17,398**	**28,012**	**2,124**	**47,534**
Future production costs	**(5,345)**	**(11,182)**	**(501)**	**(17,028)**
Future development costs	**(3,842)**	**(6,554)**	**(189)**	**(10,585)**
Future income taxes	**(1,919)**	**(1,236)**	**(901)**	**(4,056)**
Future net cash flows	**6,292**	**9,040**	**533**	**15,865**
Discount at 10 per cent per annum	**(1,713)**	**(3,783)**	**(129)**	**(5,625)**
Standardised measure	**4,579**	**5,257**	**404**	**10,240**
2017				
Future cash inflows	18,407	23,537	1,954	43,898
Future production costs	(6,663)	(11,176)	(534)	(18,373)
Future development costs	(3,714)	(6,451)	(208)	(10,373)
Future income taxes	(1,508)	(18)	(746)	(2,272)
Future net cash flows	6,522	5,892	466	12,880
Discount at 10 per cent per annum	(2,104)	(2,426)	(108)	(4,638)
Standardised measure	4,418	3,466	358	8,242
2016				
Future cash inflows	21,902	13,088	2,026	37,016
Future production costs	(7,306)	(6,514)	(567)	(14,387)
Future development costs	(3,431)	(3,063)	(282)	(6,776)
Future income taxes	(3,082)	800	(668)	(2,950)
Future net cash flows	8,083	4,311	509	12,903
Discount at 10 per cent per annum	(2,961)	(834)	(121)	(3,916)
Standardised measure	5,122	3,477	388	8,987

(1) Standardised measure includes Onshore US assets of US$1,932 million (2017: US$1,962 million; 2016: US$1,889 million).

[2] Other is primarily comprised of Algeria, Pakistan (divested 31 December 2015), Trinidad and Tobago and the United Kingdom.

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Changes in the Standardised measure are presented in the following table.

	2018 US$M	2017 US$M	2016 US$M
Changes in the Standardised measure			
Standardised measure at the beginning of the year	**8,242**	8,987	17,244
Revisions:			
Prices, net of production costs	**5,540**	(96)	(14,146)
Changes in future development costs	**(358)**	275	1,342
Revisions of quantity estimates [1]	**(166)**	2,961	(2,870)
Accretion of discount	**1,016**	1,147	2,547
Changes in production timing and other	**946**	(1,611)	1,280
	15,220	11,663	5,397
Sales of oil and gas, net of production costs	**(5,091)**	(4,301)	(3,936)
Acquisitions of reserves-in-place			
Sales of reserves-in-place	**(26)**	(15)	(114)
Previously estimated development costs incurred	**1,068**	718	1,823
Extensions, discoveries, and improved recoveries, net of future costs	**502**	(401)	84
Changes in future income taxes	**(1,433)**	578	5,733
Standardised measure at the end of the year [2]	**10,240**	8,242	8,987

(1) Changes in reserves quantities are shown in the Petroleum reserves tables in section 6.3.1.

(2) Standardised measure at the end of the year includes Onshore US assets of US$1,932 million (2017: US$1,962 million; 2016: US$1,889 million).

Accounting for suspended exploratory well costs

Refer to note 10 Property, plant and equipment in section 5.1 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 provides the changes to capitalised exploratory well costs that were pending the determination of proved reserves for the three years ended 30 June 2018, 30 June 2017 and 30 June 2016.

	2018 US$M	2017 US$M
nt in capitalised exploratory well costs		
ginning of the year	**668**	770
s to capitalised exploratory well costs pending the determination of proved reserves	**186**	258
ed exploratory well costs charged to expense	**(62)**	(69

ed exploratory well costs reclassified to wells, equipment, and facilities based on the determination of proved reserves	**2**	(155
		(136
d of the year	**794**	668

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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.

	2018 US$M	2017 US$M	2016 US$M
Ageing of capitalised exploratory well costs			
Exploratory well costs capitalised for a period of one year or less	**124**	120	262
Exploratory well costs capitalised for a period greater than one year	**670**	548	508
At the end of the year	**794**	668	770

	2018	2017	2016
Number of projects that have been capitalised for a period greater than one year	**17**	14	23

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 2018							
Australia				**1**		**1**	**1**
United States [(1)]	**1**	**1**	**2**	**84**	**1**	**85**	**87**
Other [(2)]							
Total	**1**	**1**	**2**	**85**	**1**	**86**	**88**
Year ended 30 June 2017							
Australia							
United States [(1)]				80		80	80
Other [(2)]	3	2	5	1		1	6
Total	3	2	5	81		81	86
Year ended 30 June 2016							
Australia				2		2	2
United States [(1)]	1		1	137	2	139	140
Other [(2)]				1		1	1
Total	1		1	140	2	142	143

(1) Includes Onshore US assets net productive development wells of 84 (2017: 79; 2016: 135) and net dry development wells of 1 (2017: nil; 2016: 2). Onshore US assets had nil net exploratory wells in 2018, 2017 and 2016.

(2) Other is primarily comprised of Algeria, Trinidad and Tobago and the United Kingdom.

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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 oil or gas in a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. A development well is a well drilled within the limits of a known 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. Productive wells include wells in which hydrocarbons were encountered and the drilling or completion of which, in the case of exploratory wells, has been suspended pending further drilling or evaluation. 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 2018. 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 2018 was as follows:

	Crude oil wells		Natural gas wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Australia	354	178	135	48	489	226
United States [(1)]	998	547	6,660	2,012	7,658	2,559
Other [(2)]	59	22	36	8	95	30
Total	**1,411**	**747**	**6,831**	**2,068**	**8,242**	**2,815**

(1) Crude oil wells includes Onshore US assets of 971 Gross and 536 Net. Natural gas wells includes Onshore US assets of 6,660 Gross and 2,012 Net.

(2) Other is primarily comprised of Algeria, Trinidad and Tobago and the United Kingdom.

Of the productive crude oil and natural gas wells, 20 (net: 9) operated wells had multiple completions.

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Developed and undeveloped acreage (including both leases and concessions) held at 30 June 2018 was as follows:

	Developed acreage		Undeveloped acreage	
Thousands of acres	**Gross**	**Net**	**Gross**	**Net**
Australia	2,152	823	4,326	2,605
United States [1]	1,137	669	1,313	1,085
Other [2][3]	175	64	3,029	2,337
Total	**3,464**	**1,556**	**8,668**	**6,027**

(1) Developed acreage includes Onshore US assets of 1,039 thousand gross acres (633 thousand net acres). Undeveloped acreage includes Onshore US assets of 210 thousand gross acres (162 thousand net acres).

(2) Developed acreage in Other primarily consists of Algeria and the United Kingdom.

(3) Undeveloped acreage in Other primarily consists of acreage in Brazil and Trinidad and Tobago. It also includes the addition of Trion.

Approximately 4,245 thousand gross acres (2,850 thousand net acres), 526 thousand gross acres (278 thousand net acres) and 1,490 thousand gross acres (1,078 thousand net acres) of undeveloped acreage will expire in the years ending 30 June 2019, 2020 and 2021 respectively, if the Group does not establish production or take any other action to extend the terms of the licenses and concessions.