

BHP BILLITON LTD
Form 20-F
September 25, 2006
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 20-F

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED 30 JUNE 2006

OR

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

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

Date of event requiring this shell company report _____

Commission file number: 001-09526

Commission file number: 001-31714

BHP BILLITON LIMITED

(ABN 49 004 028 077)

BHP BILLITON PLC

(REG. NO. 3196209)

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(Exact name of Registrant as specified in its charter)

(Exact name of Registrant as specified in its charter)

VICTORIA, AUSTRALIA

ENGLAND AND WALES

(Jurisdiction of incorporation or organisation)

(Jurisdiction of incorporation or organisation)

180 LONSDALE STREET, MELBOURNE, VICTORIA

NEATHOUSE PLACE, VICTORIA, LONDON,

3000 AUSTRALIA

UNITED KINGDOM

(Address of principal executive offices)

(Address of principal executive offices)

Securities registered or to be registered

pursuant to section 12(b) of the Act.

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

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

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

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

None

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

None

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

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Fully Paid Ordinary Shares	BHP Billiton Limited 3,495,949,933	BHP Billiton Plc 2,468,147,002
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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See

definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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13.	Defaults, dividend arrearages and delinquencies	There have been no defaults, arrearages or delinquencies

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14.	Material modifications to the rights of security holders and use of proceeds	There have been no material modifications to the rights of security holders since our last Annual Report
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18.	Financial statements	F-1-F-115
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The selected financial information for BHP Billiton reflects the combined operations of both BHP Billiton Limited and BHP Billiton Plc and has been derived from the 2006 financial statements. The selected financial information should be read in conjunction with, and is qualified in its entirety by reference to the 2006 financial statements and notes thereto. For the first time in 2005-06, the BHP Billiton Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and, as such, the basis of preparation is different to that of the most recent comparative year's annual financial report. The 2004-05 comparatives have been restated accordingly. IFRS differ in certain aspects from US Generally Accepted Accounting Principles (GAAP). Details of the principal differences between IFRS and US GAAP are set out in note 39 'US Generally Accepted Accounting Principles disclosures' in the financial statements. The BHP Billiton Group publishes its consolidated financial statements in US dollars.

One of our jointly controlled entities, Minera Escondida Limitada meets the definition of a significant unconsolidated subsidiary in accordance with Rule 3-09 of Regulation S-X. Accordingly, the financial statements of Minera Escondida Limitada will be filed with the SEC as soon as available, but no later than 31 December 2006.

<i>Amounts in accordance with IFRS</i>	30 June	
US\$M except per share data	2006	2005
Consolidated Income Statement		
Revenue together with share of jointly controlled entities' revenue	39,099	31,150
Less: share of jointly controlled entities' external revenue included above	(6,946)	(4,428)
Revenue	32,153	26,722
Profit from operations	14,671	9,271
Profit attributable to members of BHP Billiton Group	10,450	6,396
Dividends per ordinary share paid during the period (US cents)	32.0	23.0
Dividends per ordinary share declared in respect of the period (US cents)	36.0	28.0
Earnings per ordinary share (basic) (US cents) ^(a)	173.2	104.4
Earnings per ordinary share (diluted) (US cents) ^(a)	172.4	104.0
Number of ordinary shares (millions)		
- At period end	5,964	6,056
- Weighted average	6,035	6,124
- Diluted	6,066	6,156
Consolidated Balance Sheet		
Total assets	48,516	41,843
Share capital	3,242	3,363
Total equity attributable to members of BHP Billiton Group	24,218	17,575

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30 June

Amounts in accordance with US GAAP

(US\$M except per share data)	2006	2005	2004	2003	2002
Consolidated Income Statement					
Sales revenue	32,153	26,722	22,887	15,608	13,552
Operating income	9,043	6,554	3,489	2,780	1,698
Net income total	9,783	6,388	2,716	1,581	1,249
Net income from continuing operations	9,783	6,388	2,716	1,576	1,513
Net income/(loss) from discontinued operations				5	(264)
Per ordinary share ^(a) :					
Net income attributable to members					
- Basic from continuing operations (US cents)	159.7	104.3	43.7	25.5	25.1
- Diluted from continuing operations (US cents)	158.9	103.7	43.5	25.4	25.0
- Basic from discontinued operations (US cents)					(4.4)
- Diluted from discontinued operations (US cents)					(4.4)
- Basic total (US cents)	159.7	104.3	43.7	25.5	20.7
- Diluted total (US cents)	158.9	103.7	43.5	25.4	20.6
Per American Depositary Share (ADS):					
Net income attributable to members					
- Basic total	319.4	208.6	87.4	51.0	41.4
- Diluted total	317.8	207.4	87.0	50.8	41.2
Consolidated Balance Sheet					
Total assets	53,317	46,861	36,675	35,001	35,795
Share capital	3,242	3,363	3,603	3,537	4,895
Total equity attributable to members of BHP Billiton Group	27,839	22,004	18,802	16,832	17,147

- (a) 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 outstanding during the period of BHP Billiton Plc and BHP Billiton Limited after deduction of the number of shares held by the Billiton share repurchase scheme and the Billiton Employee Share Ownership Trust, the BHP Performance Share Plan Trust and the BHP Bonus Equity Plan Trust and adjusting for the BHP Billiton Limited bonus share issue. Included in the calculation of fully diluted earnings per share are shares and options contingently issuable under Employee Share Ownership Plans.
- (b) On 1 July 2005, we changed our US accounting policy for pension and other post retirement benefits. Details of the impact on the 2005-06 year, and pro forma disclosures for the 2004-05 year had the policy been applied, are set out in note 39 US Generally Accepted Accounting Principles disclosures in the financial statements. Had the change in policy been applied to previous years, the impact on net income would not have been material in the 2003-04, or 2002-03 years, and would have had an impact of US\$200 million in the 2001-02 year. The impact on earnings per share would have been an increase of 0.6 US cents per share in 2003-04, and decreases of 1.4 and 3.3 US cents per share in 2002-03 and 2001-02 respectively.

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Risk factors

We believe that, because of the international scope of our operations and the industries in which we are engaged, numerous factors have an effect on our results and operations. The following describes the material risks that could affect the BHP Billiton Group.

Fluctuations in commodity prices may negatively impact our results

The prices we obtain for our oil, gas, minerals and other commodities are determined by, or linked to, prices in world markets, which have historically been subject to substantial variations because of fluctuations in supply and demand. The influence of hedge and other financial investment funds participating in commodity markets has increased in recent years contributing to higher levels of price volatility. We expect that volatility in prices for most of our commodities will continue for the foreseeable future. This volatility creates the risk that our operating results will be materially and adversely affected by unforeseen declines in the prevailing prices of our products.

Our profits may be negatively affected by currency exchange rate fluctuations

Our assets, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the countries in which we operate. Fluctuations in the exchange rates of those currencies may have a significant impact on our financial results. The US dollar is the currency in which the majority of our sales are denominated. Operating costs are influenced by the currencies of those countries where our mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian dollar, South African rand, Chilean peso, Brazilian real and US dollar are the most important currencies influencing our operating costs. Given the dominant role of the US currency in our affairs, the US dollar is the currency in which the BHP Billiton Group measures its financial performance. It is also the natural currency for borrowing and holding surplus cash. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. We may consider currency protection measures appropriate in specific commercial circumstances, subject to strict limits established by our Boards. Therefore, in any particular year, currency fluctuations may have a significant impact on our financial results.

Failure to discover new reserves or enhance existing reserves could negatively affect our results and financial condition

Because most of our revenues and profits are related to our oil and gas and minerals operations, our results and financial conditions are directly related to the success of our exploration efforts and our ability to replace existing reserves. A failure in our ability to discover new reserves or enhance existing reserves in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our results, financial condition and prospects.

We may have fewer mineral, oil or gas reserves than our estimates indicate

Our reserves estimations may change substantially if new information subsequently becomes available. Fluctuations in the price of commodities, variation in production costs or different recovery rates may ultimately result in our estimated reserves being revised. If such a revision was to indicate a substantial reduction in proven or probable reserves at one or more of our major projects, it could negatively affect our results, financial condition and prospects.

Health, safety and environmental exposures and related regulations may impact our operations and reputation negatively

The nature of the industries in which we operate means that our activities are highly regulated by health, safety and environmental laws. As regulatory standards and expectations are constantly developing, we may be exposed to increased litigation, compliance costs and unforeseen environmental remediation expenses.

The December 1997 Kyoto Protocol established a set of greenhouse gas emission targets for developed countries that have ratified the Protocol. The European Union Emissions Trading System (EU ETS), which came into effect on 1 January 2005, has had an impact on greenhouse gas and energy intensive businesses based in the EU. Our Petroleum assets in the UK are currently subject to the EU ETS as are our EU based customers. Elsewhere there is existing and emerging regulation, such as the mandatory renewable energy target in Australia (which puts the onus on power producers to ensure that the national grid has 2 per cent renewable energy by the year 2020) that will affect energy prices. From a medium and long-term perspective, we are likely to see changes in the margins of our greenhouse gas intensive assets and energy intensive assets as a result of regulatory impacts in the countries where we operate. These regulatory mechanisms may be either voluntary or legislated and may impact our operations directly or indirectly via our customers. Inconsistency of regulations may also change the attractiveness of the locations of some of our assets. Assessments of the potential impact of future climate change regulation are uncertain given the wide scope of potential regulatory change in the 25 or more countries where we operate.

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The European Registration, Evaluation and Authorisation of Chemicals (REACH) system is anticipated to commence operation in the first half of 2007. REACH will require manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be used without negatively affecting health or the environment. The draft legislation, which is currently

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undergoing review as it proceeds through the European Parliament for potential enactment, contemplates a registration and authorisation process for identified uses of products. The extent to which our operations and customers are affected by these changes will not be clear until the final form of the regulations is determined. These potential compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs could negatively affect our financial results.

Our operational processes and geographic locations may be subject to operational accidents or natural catastrophes such as earthquakes, hurricanes and tsunamis.

We may continue to be exposed to increased operational costs due to the costs and lost workers' time associated with the HIV/AIDS infection rate of our southern African workforce.

Because we operate globally, we may be affected by potential avian flu outbreaks in any of the regions in which we operate. The effects of avian flu may manifest themselves directly on employees, offices and operation or indirectly on customers and markets.

Despite our best efforts and best intentions, there remains a risk that health, safety and/or environmental incidents or accidents may occur that may negatively impact our reputation and freedom or licence to operate.

Land tenure disputes may negatively impact our operations

We operate in several countries where ownership of land is uncertain and where disputes may arise in relation to ownership. These disputes cannot always be predicted and hence there is a risk that this may cause disruption to some of our mining projects and prevent our development of new projects.

In Australia, the Native Title Act (1993) provides for the establishment and recognition of native title under certain circumstances. Like land ownership disputes, native title could negatively affect our new or existing projects.

In South Africa, the Extension of Security of Tenure Act (1997) prevents evictions from taking place in the absence of a court order. Occupiers who reside on the owner's land with the requisite consent of the owner, have rights to remain in occupation unless they breach their statutory obligations as occupiers. A process exists for long-term occupiers to enjoy life-long tenure. However, the legislation provides for the option of provision of suitable alternative land for occupation. Furthermore, the Restitution of Land Rights Act (1994) permits dispossessed communities to reclaim land, but only where such dispossession occurred after 1913 and as a consequence of a discriminatory practice or law. Both these Acts could negatively affect new or existing projects of the BHP Billiton Group.

Actions by governments in the countries in which we operate could have a negative impact on our business

Our business could be adversely affected by new government regulation such as controls on imports, exports and prices, new forms or rates of taxation and royalties.

In South Africa, the Mineral and Petroleum Resources Development Act (2002) (MPRDA) came into effect on 1 May 2004. The law provides for the conversion of existing mining rights (so called 'Old Order Rights') to rights under the new regime ('New Order Rights') subject to certain undertakings to be made by the company applying for such conversion. These new rights will also be subject to revised state royalties in the case of certain minerals, but this is only expected to be introduced in 2009. The MPRDA also required the development of a Broad Based Socio Economic Empowerment (BBSEE) Charter, known as the Mining Charter, for the mining industry with the objectives of expanding opportunities, skills, ownership and employment for historically disadvantaged