CUBIC CORP /DE/
Form 11-K
June 22, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)

OF THE SECURITIES ACT OF 1934

For the Fiscal Year Ended December 31, 2014

1-8931

Commission File Number

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

CUBIC APPLICATIONS, INC. 401(k) RETIREMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

CUBIC CORPORATION

9333 Balboa Avenue

San Diego, California 92123

Telephone (858) 277-6780

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Financial Statements and Supplemental Schedule

December 31, 2014 and 2013

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* Other schedules required by Section 2520.103-10 of the United States Department of Labor s Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

Plan Administrator and Participants of the

Cubic Applications, Inc. 401(k) Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of the Cubic Applications, Inc. 401(k) Retirement Plan (the Plan) as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2014, has been subjected to audit procedures performed in conjunction with the audit of the Plan s financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but includes supplemental information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedule, we have evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ MAYER HOFFMAN MCCANN P.C.

San Diego, California

June 22, 2015

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Statements of Net Assets Available for Benefits

December 31, 2014 and 2013

	2014	**2013**
Assets:		
Investments, at fair value:		
Mutual funds	$ 168,901,997	$ 135,726,681
Guaranteed interest account	16,600,709	10,199,520
Stable value fund	19,371,874	17,502,383
Cubic Corporation common stock	2,080,220	1,759,684
Self-directed brokerage account	381,005	215,085
Total investments	207,335,805	165,403,353
Receivables:		
Employer s contributions	109,154	535,721
Participants contributions	-	316,755
Notes receivable from participants	3,051,897	2,427,616
Total receivables	3,161,051	3,280,092
Net assets available for benefits reflecting all investments at fair value	210,496,856	168,683,445
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(267,462)	(138,908)
Net assets available for benefits	$ 210,229,394	$ 168,544,537

See the accompanying notes to financial statements.

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31, 2014

Additions to net assets attributed to:	
Investment income:	
Interest and dividends	$ 2,244,073
Interest on guaranteed interest account	357,223
Net change in fair value of investments	8,301,991
Total investment income	10,903,287
Interest income on notes receivable from participants	107,191
Contributions:	
Participants	9,968,185
Employer s	4,813,694
Participants rollovers from other qualified plans	1,867,801
Transfers from other plan	39,415,617
Total contributions	56,065,297
Total additions	67,075,775
Deductions from net assets attributed to:	
Benefits paid to participants	25,255,146
Administrative expenses	135,772
Total deductions	25,390,918
Net increase	41,684,857
Net assets available for benefits:	
Beginning of year	168,544,537
End of year	$ 210,229,394

See the accompanying notes to financial statements.

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(1) Plan Description

The following description of the Cubic Applications, Inc. 401(k) Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan.

(a) General

The Plan, which was effective April 8, 1994 and amended from time to time thereafter, is a defined contribution plan covering eligible full-time, part-time and temporary employees of Cubic Corporation and affiliated companies that have adopted participation in the Plan (collectively, the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

(b) Contributions

There are certain differences in contribution options and certain other matters between participating employees of Cubic Applications, Inc. (Sub Plan 1), participating employees of Abraxas Corporation, Abraxas Dauntless, Inc., and NEK Services, Inc. (Sub Plan 2), and participating employees of Cubic Worldwide Technical Services (Sub Plan 3).

Sub Plan 1 participants may voluntarily contribute to the Plan up to 30% of pre-tax and after-tax annual compensation (up to the Internal Revenue Service (IRS) maximum allowable amount), as defined by the Plan, to the Plan. These participants may also rollover amounts representing distributions from other eligible retirement plans. Sub Plan 1 participants direct their contributions and the Company s contributions in 1% increments in the Guaranteed Interest Account, mutual funds, Stable Value Fund, and the Company s common stock. They may also transfer up to 99% of their account balance to a Self-Directed Brokerage Account.

For Sub Plan 1 participants, the matching Company contribution is 100% of the first 5% of base compensation that a participant contributes to the Plan. For Sub Plan 1 participants employed under the Technical Services rate center, the matching Company Contribution is 50% of the first 8% of base compensation that a participant contributes to the Plan. The Plan also provides for a Company discretionary contribution, at the option of the Cubic Corporation Board of Directors, in an amount to be determined annually for these participants. Discretionary contributions to the Plan for Sub Plan 1 participants are allocated based on the ratio of each participant s compensation to total compensation of all eligible participants. Sub Plan 1 participants must be employed by Cubic Applications, Inc. as of the Plan s year end, have at least one year of service and have earned at least 1,000 hours of service during the Plan year to be eligible for any discretionary contributions.

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(1) Plan Description, Continued

(b) Contributions, continued

Sub Plan 2 participants can voluntarily contribute up to 90% of their compensation as pre-tax or after-tax contributions. However, their combined pre-tax and after-tax contributions together cannot exceed 90% of their annual compensation (not to exceed the IRS maximum allowable amount), as defined by the Plan. These participants may also rollover amounts representing distributions from other eligible retirement plans. Sub Plan 2 participants direct their contributions and the Company s contributions in 1% increments in the Guaranteed Interest Account, mutual funds, Stable Value Fund, and the Company s common stock. They may also transfer up to 99% of their account balance to a Self-Directed Brokerage Account.

The Company matching for eligible Sub Plan 2 participants, other than as noted below, is 100% of the participant s elective contribution made during the Plan year, up to 5% of the participant s annual compensation. The Company matching for eligible NEK Services, Inc. employees is 50% of the participant s elective contribution made during the Plan year, up to 6% of the participant s annual compensation. In addition, the Sub Plan 2 provides for a Company discretionary contribution, at the option of the Cubic Corporation Board of Directors. Discretionary contributions to the Plan for Sub Plan 2 participants are allocated to all eligible participants based on the ratio of each eligible participant s compensation to total compensation of all eligible participants.

Sub Plan 3 participants may voluntarily contribute to the Plan up to 30% of pre-tax and after-tax annual compensation (up to the Internal Revenue Service (IRS) maximum allowable amount), as defined by the Plan, to the Plan. These participants may also rollover amounts representing distributions from other eligible retirement plans. Sub Plan 3 participants direct their contributions and the Company s contributions in 1% increments in the Guaranteed Interest

Account, mutual funds, Stable Value Fund, and the Company s common stock. They may also transfer up to 99% of their account balance to a Self-Directed Brokerage Account.

The Company matching for eligible Sup Plan 3 participants is 100% of the first 4% of base compensation that a participant contributes to the Plan. The Plan also provides for an employer Service Contract Act (SCA) contribution to be made by the Company in accordance with certain SCA agreements and pursuant to the McNamara-O Hara Service Contract Act of 1965. The employer SCA contributions are allocated to participants who are entitled to benefits under the SCA and have not otherwise been furnished such benefits or received a cash equivalent payment that would meet the requirements of the SCA. The amount of the employer SCA contributions shall be equal to the amount determined under the SCA. A participant is 100% vested at all times in the amount held in his or her employer SCA contributions account.

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(1) Plan Description, Continued

(b) Contributions, continued

Effective October 1, 2014, the Plan was amended to reflect that Cubic Worldwide Technical Services (CWTS), a company with collectively bargained employees, became a participating employer in the Plan. This change resulted in CWTS assets, totaling $39,415,617, transferring to the Plan.

All Plan participants may change their investment options daily. All contributions are held in a trust and invested by the Plan s custodian in accordance with the options elected by the participants (i.e. all investments are participant directed). The maximum allowable calendar-year combined pre-tax and Roth after-tax voluntary contribution, as determined by the IRS, was $17,500 for 2014 and 2013.

(c) Vesting

Sub Plan 1, Sub Plan 2, and Sub Plan 3 employee contributions, rollover contributions, Company matching, SCA, and discretionary contributions are immediately 100% vested.

(d) Participants Accounts

Each participant s account is credited with the participant s contributions, the Company s matching contributions, his or her pro rata share of the Company s discretionary contributions (if any), rollovers and transfers from other plans and allocations of Plan earnings or losses including market value adjustments on Plan investments. Allocations are based on participant earnings or account balances, as defined in the Plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account. As of December 31, 2014 and 2013, Plan assets available for benefits that had not been credited to participant accounts, including unallocated forfeitures, amounted to $224,609 and $213,634, respectively.

(e) Distribution of Participants Accounts

The entire vested balance of a participant s account may be distributed at the date of the participant s retirement, termination of service, death, or permanent and total disability. Participants still employed are eligible for distributions of their rollover contributions each Plan year and up to 65% of their vested portion of the Company discretionary contributions once every five years. Participants, including terminated participants, may request a withdrawal of their accounts, excluding their matching contributions, in the case of financial hardship. Sub Plan 2 participants who have reached the age of 40 may also withdrawal up to 100% of their Company discretionary contributions. The normal retirement age, as defined by the Plan, is the later date at which participants reach the age of 65 or have reached five years of service. If a participant terminates employment with the Company before retirement, the participant will receive either a lump sum payment of their vested account balance or if the vested account exceeds $1,000, the participant may elect any distribution date up to age 70½.

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(1) Plan Description, Continued

(f) Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. A participant may not have more than two loans outstanding at any time. The loans, which are collateralized by the balance in the participant s account, bear interest at prime plus 1%, and the interest rate on loans that were outstanding at December 31, 2014 ranged from 4.25% to 10.00%. Interest rates for new loans are determined on the first business day of each calendar quarter. These rates are effective for all new loans initiated on or after the first business day of the following quarter, and will remain in effect until a new rate is established.

Principal and interest are paid ratably through scheduled payroll deductions. Participant loans are measured at their unpaid principal balance plus accrued but unpaid interest. All loans are repaid within a period of five years and outstanding loans at December 31, 2014 have maturity dates ranging from January 2015 through January 2020. Defaulted participant loans are reclassified as distributions based upon the terms of the Plan agreement.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

(b) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

(c) Investment Valuation and Income Recognition

The Plan s mutual funds, Stable Value Fund and funds held in the Self-Directed Brokerage Account are stated at fair value as determined by The Prudential Insurance Company of America, (the Custodian), and are based on the net asset value of units held by the Plan at year-end. The shares of Cubic Corporation common stock and the shares of the underlying securities in the Self-Directed Brokerage Account are valued at quoted market prices at year-end, as reported by the Custodian.

Investment contracts held in the Guaranteed Interest Account are valued at fair value, which represents contributions, reinvested income, less any withdrawals, plus accrued interest. Fair value represents the estimated proceeds that would have been paid had the contract been discontinued as of December 31, 2014. The fair value is derived by multiplying the contractual Market Value Adjustment (MVA) by the contract value and taking into account all reasonably available information and assumptions about risks that a market participant would use. The MVA formula approximates the change in market value of a bond given a change in the rate environment and is equal to the average rate being credited under the contract minus the rate credited to new deposits for plans with similar features multiplied by a duration of time estimate. When establishing interest crediting rates for this investment, the Custodian considers many factors, including external factors such as current economic and market conditions, the general interest rate environment and internal factors such as the expected and actual experience of a reference portfolio within the issuer s general account. While these rates are established without the use of a specific formula, the crediting rate can never be less than 3.00%, thus mitigating significant changes in fair value measurement. Fair value is adjusted to contract value in the financial statements. The investment contracts are fully benefit responsive because participants may direct withdrawals and transfers at contract value. The average yield on such contracts was 3.00% and 3.00% for 2014 and 2013, respectively, which approximated market rates. The crediting interest rates are reviewed quarterly but cannot be less than 3.00%, and were 3.00% and 3.00% at December 31, 2014 and 2013, respectively. Since the crediting interest rate cannot be less than 3.00%, there is not a significant increase in implied liquidity risk yields or performance, thus an adjustment for risk is not necessary. Fair value calculations would only be applied in the event of a Plan Sponsor initiated withdrawal. The formula used for determination of fair value is adequate in determining what the price of a bond with cash flows similar to the Guaranteed Interest Account payout would be and therefore calculates the fair value in a similar manner to other stable value funds holding pooled securities in a trust. Management believes the fair value calculation is adequate based on other comparable evaluation methods. The contract value of the Guaranteed Interest Account at December 31, 2014 and 2013 was $16,600,709 and $10,199,520, respectively.

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

(c) Investment Valuation and Income Recognition, continued

There are no reserves against contract value for credit risk of the contract issuer or otherwise. Participants may not transfer between the Guaranteed Interest Account and the Stable Value Fund without first investing in another investment option of the Plan for a period of 90 days.

Investment contracts held in the Stable Value Fund are valued at fair value, which represents contributions, reinvested income, less any withdrawals, plus accrued interest. The Stable Value Fund invests in investment contracts, traditional guaranteed investment contracts (GICs) and security-backed contracts issued by insurance companies and other financial institutions. The fair value of the units of this investment is based on the fair value of the underlying investments, and a net asset value can be calculated for this fund as audited financial statements are available. The fair value of a GIC is based on the present value of future cash flows using the current discount rate. The fair value of a security-backed contract includes the value of the underlying securities and the value of the wrapper contract. The fair value of a wrapper contract provided by a security-backed contract issuer is the present value of the difference between the current wrapper fee and the contracted wrapper fee. Fair value is adjusted to contract value on the financial statements. The investment contracts are fully benefit responsive because participants may direct withdrawals and transfers to contract value. The average yields on such contracts were 1.25% and 1.35% for 2014 and 2013, respectively. The contract value of the Stable Value Fund at December 31, 2014 and 2013 was $19,104,412 and $17,363,475, respectively. The Stable Value Fund s contract does not permit the Custodian to terminate the agreement prior to the scheduled maturity date.

Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on investments are recognized upon the sale of the related investments and unrealized appreciation or depreciation is recognized at period end when the carrying values of the related investments are adjusted to their estimated fair market value. Purchase and sales of securities are reflected on a trade-date basis.

Earnings on investments are allocated on a pro rata basis to individual participant accounts based on the type of investment and the ratio of each participant s individual account balance to the aggregate of participant account balances. The portion of interest included in each loan payment made by a participant is recognized as interest income in the participant s individual account.

CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

(d) Net Change in Fair Value of Investments

The Plan presents in the statement of changes in net assets available for benefits the net change in the fair value of its investments, which consists of the realized gains and losses and the net unrealized gain (loss) on those investments.

(e) Fair Value Measurements

The valuation techniques required to determine fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. The two types of inputs create the following fair value hierarchy:

Level 1 Valuation is based upon unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation is based upon other significant observable inputs (including quoted prices for similar assets or liabilities in active markets, identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, etc.).

Level 3 Valuation is based upon significant unobservable inputs. These inputs reflect the reporting entity s own assumptions about how market participants would price the asset or liability, including assumptions about risk in determining the fair value of the asset or liability.

The inputs or methodology used by valuing securities are not necessarily an indication of risk associated with investing in those securities.

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013. Mutual funds, funds held in the Self-Directed Brokerage Account and Cubic Corporation common stock are valued at quoted prices for identical assets in active markets. The Guaranteed Interest Account and the Stable Value Fund are measured using the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

(e) Fair Value Measurements, continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a summary of investments classified in accordance with the fair value hierarchy:

	Investments at Fair Value as of December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Domestic equity funds	$ 92,282,711	$ -	$ -	$ 92,282,711
Domestic bond funds	19,095,116	-	-	19,095,116
International equity fund	24,144,195	-	-	24,144,195
Hybrid fund	26,712,299	-	-	26,712,299
Money market fund	4,165,232	-	-	4,165,232
International bond fund	1,662,203	-	-	1,662,203
Real Estate Fund	840,241	-	-	840,241
Total mutual funds	168,901,997	-	-	168,901,997
Guaranteed interest account	-	-	16,600,709	16,600,709

Stable value fund		-		19,371,874		-		19,371,874
Cubic Corporation common stock		2,080,220		-		-		2,080,220
Self-directed brokerage account		381,005		-		-		381,005
Total investments at fair value	$	171,363,222	$	19,371,874	$	16,600,709	$	207,335,805

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CUBIC APPLICATIONS, INC. 401(K) RETIREMENT PLAN

Notes to Financial Statements

December 31, 2014 and 2013

(2) Summary of Significant Accounting Policies, Continued

(e) Fair Value Measurements, continued

	Investments at Fair Value as of December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Domestic equity funds	$ 72,564,263	$ -	$ -	$ 72,564,263
Domestic bond funds	17,788,054	-	-	17,788,054
International equity fund	22,201,017	-	-	22,201,017
Hybrid fund	18,019,610	-	-	18,019,610
Money market fund	3,330,767	-	-	3,330,767
International bond fund	1,822,970	-	-	1,822,970
Total mutual funds	135,726,681	-	-	135,726,681
Guaranteed interest account	-	-	10,199,520	10,199,520
Stable value fund	-	17,502,383	-	17,502,383
Cubic Corporation common stock	1,759,684	-	-	1,759,684
Self-directed brokerage account	215,085	-	-	215,085
Total investments at fair value	$ 137,701,450	$ 17,502,383	$ 10,199,520	$ 165,403,353

The table below sets forth a summary of changes in the fair value of the Plan s Level 3 investment for the year ended December 31, 2014.

Level 3 Investment for the Year Ended December 31, 2014

		Guaranteed Interest
		28
Diluted earnings per share denominator	6 158	6 246

NOTE 7. ANALYSIS OF MOVEMENTS IN NET DEBT

	1 July 2004[(a)] US$M	Acquisitions & disposals US$M	Cash flow US$M	Other non-cash movements US$M	Exchange movements US$M	30 June 2005 US$M
Cash at bank and in hand	674	(50)	284	-	8	916
Overdrafts	(133)	-	129	-	(11)	(15)
	541	(50)	413	-	(3)	901
Redeemable preference shares	(450)	-	-	-	-	(450)
Finance lease obligations	(76)	-	22	-	(2)	(56)
Other debt due within one year	(1 188)	19	(718)	(729)	(18)	(2 634)
Other debt due after more than one year	(4 936)	(708)	(3 061)	729	5	(7 971)
	(6 650)	(689)	(3 757)	-	(15)	(11 111)
Liquid resources [(b)]	1 144	356	(998)	-	-	502

Net debt [c]	(4 965)	(383)	(4 342)	-	(18)	(9 708)
The balance sheet movement in cash including money market deposits is as follows:						
Cash at bank and in hand	674	(50)	284	-	8	916
Money market deposits [b]	1 144	356	(998)	-	-	502
	1 818	306	(714)	-	8	1 418

(a) Amounts owing to joint venture participants of US$196 million at 30 June 2004 were reclassified from sundry creditors to other debt due within one year, to better reflect the funding nature of these amounts.

(b) Liquid resources represent money market deposits with financial institutions that have a maturity of up to three months.

(c) The breakdown of net debt by currency is as follows:

	30 June 2005 US$M	30 June 2004 US$M
Net debt is denominated in:		
US dollars	10 034	4 869
South African rand	(98)	211
Australian dollars	4	101
Canadian dollars	11	38
Other currencies	(243)	(254)
Net debt	9 708	4 965

BHP BILLITON GROUP

STATEMENT OF FINANCIAL PERFORMANCE

(prepared in accordance with Australian GAAP; unaudited)

Year ended 30 June	2005		2004	
	US$M		US$M	
Revenue from ordinary activities				
Operating revenue	29 649		22 887	
Non-operating revenue	1 458		626	
	31 107		23 513	
Profit from ordinary activities before depreciation, amortisation and borrowing costs	10 974		6 652	
Deduct: Depreciation and amortisation	1 994		1 793	
Borrowing costs	499		490	
Profit from ordinary activities before tax	8 481		4 369	
Deduct: Income tax expense attributable to ordinary activities	2 240		870	
Net profit	6 241		3 499	
Deduct: Outside equity interests in net profit	232		96	
Net profit attributable to members of the BHP Billiton Group	6 009		3 403	
Basic earnings per fully paid ordinary share (US cents)	98.1		54.7	

Basis of Preparation

The results of the BHP Billiton Group, comprising BHP Billiton Limited and BHP Billiton Plc and their respective subsidiaries, for the year ended 30 June 2005, and the corresponding period, have been prepared in accordance with Australian GAAP and Practice Note 71 'Financial reporting by Australian entities in dual listed company arrangements' issued by the Australian Securities and Investments Commission.

The financial information has been prepared using the same accounting policies as were used in preparing the results for the BHP Billiton Group as presented in the BHP Billiton Limited financial statements for the year ended 30 June 2004.

Significant Items

Individually significant items (before outside equity interests) included within the BHP Billiton Group net profit are detailed below.

	Year ended 30 June 2005			Year ended 30 June 2004		
	Gross US$M	Tax US$M	Net US$M	Gross US$M	Tax US$M	Net US$M
Sale of equity interest in North West Shelf Project [a]	56	-	56	-	-	-
Sale of Laminaria and Corallina [b]	134	(10)	124	-	-	-
Disposal of Chrome operations [c]	142	(6)	136	-	-	-
Restructuring provisions [d]	(79)	23	(56)	-	-	-
Termination of operations [e]	(266)	80	(186)	-	-	-
Closure plans [f]	(121)	17	(104)	(534)	22	(512)
Introduction of tax consolidation regime in Australia [g]	-	-	-	-	267	267
Litigation settlement [h]	-	-	-	66	(18)	48
US and Canadian taxation deductions [i]	-	-	-	-	238	238
Total	(134)	104	(30)	(468)	509	41

(a) During the year ended 30 June 2005, BHP Billiton sold an equity participation in the North West Shelf (NWS) Project to China National Offshore Oil Corporation (CNOOC). CNOOC purchased an interest in a new joint venture that is being established within the NWS Project to supply LNG to the Guangdong LNG Project in China. CNOOC will acquire title to approximately 5.8% of current NWS Project gas reserves and rights to process its gas and associated LPG and condensate through NWS Venture offshore and onshore infrastructure. CNOOC paid each joint venture partner US$59 million resulting in a profit on sale of US$56 million (no tax effect).

(b) In January 2005, the Group disposed of its interest in the Laminaria and Corallina oil fields to Paladin Resources plc. Proceeds on the sale were US$130 million resulting in a profit before tax of US$134 million (US$10 million tax expense).

(c) Effective 1 June 2005, BHP Billiton disposed of its economic interest in the majority of its South African chrome business to the Kermas Group. The total proceeds on the sale were US$421 million, resulting in a profit of US$127 million (US$1 million tax expense) in accordance with Australian GAAP. In addition, the Group sold its interest in the Palmiet chrome business to Mogale Alloys in May 2005 for proceeds of US$12 million, resulting in a profit of US$15 million (US$5 million tax expense).

The BHP Billiton share of profit before tax on disposal of the chrome operations is US$90 million (US$4 million tax expense), whilst the minority interest in the profit after tax of the disposal was US$50 million.

(d) The Group is required to record a charge against earnings in respect of restructuring certain operations. This totalled US$79 million (US$56 million after tax) and related to a charge of US$50 million (US$15 million tax benefit) in respect of restructuring associated with the acquisition of WMC in June 2005 primarily relating to redundancy and termination costs, office closures and termination of previous contractual arrangements, and a charge of US$29 million (US$8 million tax benefit) for other restructurings, primarily for redundancies at Ingwe (South Africa).

(e) The Group decided to decommission the Boodarie Iron (Australia) operations and a charge of US$266 million (US$80 million tax benefit) relating to termination of the operation was recognised. The charge primarily relates to settlement of existing contractual arrangements, plant decommissioning, site rehabilitation, redundancy and other costs associated with the closure.

(f) As part of the Group's regular review of decommissioning and site restoration plans, the Group reassessed plans in respect of certain closed operations. A total charge of US$121 million (US$104 million after tax) was recorded and included a charge of US$73 million (US$21 million tax benefit) for closed mines at Ingwe (South Africa) in relation to revision of the Group's assessed rehabilitation obligation, predominantly resulting from revised water management plans, and a charge of US$48 million (US$4 million tax expense) in relation to other closed mining operations.

During the year ended 30 June 2004, the Group refined its plans in relation to certain closed operations. In relation to the Group's Southwest Copper business in the US, this resulted in a charge of US$425 million resulting from a re-estimation of short-term closure costs and the inclusion of residual risks, longer-term water management and other costs, and an increase in the residual value of certain assets. Additionally, at other closed sites, a charge of US$109 million (before a tax benefit of US$22 million) was recorded, mainly in relation to the Island Copper mine, the Newcastle steelworks and the Selbaie copper mine. Accordingly, the Group recorded a net after-tax loss of US$512 million.

(g) During the year ended 30 June 2004 BHP Billiton elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government. Under the transitional rules, the Group chose to reset the tax cost base of certain depreciable assets which will result in additional tax depreciation over the lives of the assets. This resulted in the restatement of deferred tax balances and a tax benefit of US$267 million being recorded in accordance with Urgent Issues Group Abstract 52.

(h) In December 2003, BHP Billiton announced that it was part of a consortium that had reached a settlement with Dalmine SpA with respect to a claim brought against Dalmine in April 1998. The claim followed the failure of an underwater pipeline installed in 1994 in the Liverpool Bay area of the UK continental shelf. As a result of the settlement, BHP Billiton has recorded a gain of US$66 million, before tax expense of US$18 million.

(i) During the year ended 30 June 2004, the level of certainty regarding potential benefits arising from prior period taxation deductions and foreign tax credits available in the US and Canada increased to the extent that some of the provisions against deferred tax assets established in prior years were no longer necessary. This was a result of higher income generation, changes in legislation and effective utilisation of tax credits during the year, along with increasing confidence regarding the ability to realise benefits in the future. Accordingly, the Group recorded a tax benefit of US$238 million.

Forward-looking statements

Certain statements contained in this release, including statements in the section entitled 'Introduction' and 'Outlook', may constitute 'forward-looking statements' within the meaning of the US Private Securities Litigation Reform Act of 1995. We undertake no obligation to revise the forward-looking statements included in this release to reflect any future events or circumstances. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences are discussed in the sections entitled 'Key Information-Risk Factors' and 'Operating and Financial Review and Prospects-External factors affecting our operating results' included in our annual report on Form 20-F for the fiscal year ended 30 June 2004, which we filed with the US Securities and Exchange Commission (SEC) on 20 October 2004 and is available on the SEC's website at 'www.sec.gov'. Nothing in this release should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities in any jurisdiction.

Further information on BHP Billiton can be found on our Internet site: http://www.bhpbilliton.com

Australia

Jane Belcher, Investor Relations
Tel: +61 3 9609 3952 Mobile: +61 417 031 653
email: Jane.H.Belcher@bhpbilliton.com

Tania Price, Media Relations
Tel: +61 3 9609 3815 Mobile: +61 419 152 780
email: Tania.Price@bhpbilliton.com

United Kingdom

Mark Lidiard, Investor & Media Relations
Tel: +44 20 7802 4156 Mobile: + 44 7769 934 942
email: Mark.Lidiard@bhpbilliton.com

Ariane Gentil, Media Relations
Tel: +44 20 7802 4177 Mobile: +44 7881 518 715
email: Ariane.Gentil@bhpbilliton.com

United States

Tracey Whitehead, Investor & Media Relations
Tel: US +1 713 599 6100 or UK +44 20 7802 4031
email: Tracey.Whitehead@bhpbilliton.com

South Africa

Michael Campbell, Investor & Media Relations
Tel: +27 11 376 3360 Mobile: +27 82 458 2587
email: Michael.J.Campbell@bhpbilliton.com

BHP Billiton Limited ABN 49 004 028 077

Registered in Australia
Registered Office: 180 Lonsdale Street
Melbourne Victoria 3000
Australia
Telephone +61 1300 55 4757 Facsimile +61 3 9609 3015

BHP Billiton Plc Registration number 3196209

Registered in England and Wales
Registered Office: Neathouse Place London SW1V 1BH
United Kingdom
Telephone +44 20 7802 4000 Facsimile +44 20 7802 4111

The BHP Billiton Group is headquartered in Australia

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		BHP Billiton Limited
Date: 24 August 2005	By:	Karen Wood
	Name:	Karen Wood
	Title:	Company Secretary