

CORPORATE INFORMATION

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CORPORATE GOVERNANCE

On 18 May 2001 BHP Limited shareholders voted to approve the merger between BHP Limited and Billiton Plc under a Dual Listed Companies (DLC) structure. Shareholders also approved the change of BHP Limited's name to BHP Billiton Limited, while shareholders of Billiton Plc approved the change of name of that company to BHP Billiton Plc. The DLC merger was completed on 29 June 2001.

While both companies continue as separate public companies, they operate as though they were a single unified entity under the control of unified Boards and management. This structure means that, going forward, most matters considered by the Board will need to be considered by the Boards of BHP Billiton Limited and BHP Billiton Plc.

Each of BHP Billiton Limited and BHP Billiton Plc has well developed governance policies and practices which have been regularly reported to shareholders and which were designed to meet best practice in the environment in which they operate. Following completion of the DLC merger, existing governance policies and practices of both companies have been subject to review. The aim of the review is to implement a governance framework across the group that meets the highest standards of governance as well as the regulatory requirements in all of the jurisdictions in which the group now operates. The Boards are committed to adopting the better of the existing governance practices between the two companies and will do so even in circumstances where a particular practice is not required to meet any prevailing statutory obligation.

The review is well underway. As uniform policies and practices are formulated they will be brought progressively to the Boards of BHP Billiton Limited and BHP Billiton Plc for consideration. In August the Boards considered and approved some new initiatives, including the appointment of new Board Committees and the adoption of a uniform policy to deal with trading in the securities of the companies. Where changes to governance practices have already been implemented by the Boards, these are reported below in addition to information on the practices that were in place throughout the past year.

The Board and Management

The Board directs and monitors the operations of BHP Billiton Limited on behalf of shareholders and delegates the responsibility for the actual management of the business to the Chief Executive Officer and Managing Director and his management team.

On 18 May 2001, shareholders approved the appointment to the Board of BHP Billiton Limited of eight Directors of Billiton Plc, bringing total Board membership to 18. One of those Directors, Mr Michael Davis has not taken up his appointment, having advised his intention not to join BHP Billiton Limited after the DLC merger was approved.

Of the 17 members of the Board, 14, including the Chairman and Deputy Chairman, are Non-Executive Directors. All 14 Non-Executive Directors are considered by the Board to be independent of management and free from any relationship that could interfere with the exercise of their independent judgement. The Board structure ensures that no individual or group of individuals dominates the Boards' decision-making process.

Details of the skills and experience of each of the Directors are set out on pages 26 to 29 of this Report.

The Constitution requires one third of the Directors (other than the Managing Director) to retire from office at each Annual General Meeting. Directors are eligible for re-election by shareholders. At the Annual General Meeting to be held in October, shareholders will be asked to approve amendments to the Constitution of BHP Billiton Limited and the Articles of Association of BHP Billiton Plc. The amendments are designed to simplify the administration of the companies and to ensure that, to the extent permitted under Australian and English company law, these constituent documents are identical. One of the proposed changes to the Constitution of BHP Billiton Limited is the removal of the exemption that currently applies to the Managing Director on retirement by rotation.

The Board intends to delegate to the Nominations Committee responsibility to devise an appropriate process to review the performance of a retiring Director before endorsing his or her re-election. The Nominations Committee will also have responsibility for the identification of appropriate candidates to join the Board and will advise the Board on the means by which the Board can ensure that directors have the necessary skills required to discharge their responsibilities.

The Board is of the view that, with 17 members, it is too large. The new Board will agree a target size but in the meantime it is unlikely that retiring Non-Executive Directors will be replaced unless a retirement creates a gap in a particular skill that the Board considers it necessary to replace.

The Constitution provides that a Director who has turned 70 years of age may only be appointed (or re-appointed) if shareholders expressly authorise that appointment (or re-appointment) each year by special resolution. By the date of the Annual General Meeting two Directors will have attained the age of 70 years; John Jackson and Derek Keys. Shareholders will be asked to approve the re-appointment of both Directors at the Meeting in addition to the re-appointment of those Directors who are retiring by rotation.

The Board is committed to continuous improvement and has practices in place for periodic reviews of performance. The Board has used the services of independent experts to assist in this process. The most recent review of Board performance was conducted in May 2001.

The Board has implemented an approvals framework to ensure that there are effective delegations of authority, while retaining for itself approval for significant business decisions. Matters reserved by the Board include approval of the annual budget and business plan, approval of major capital expenditure and significant acquisitions and disposals. The Board retains responsibility for strategic direction, matters of policy and planning for succession at both Board and senior management level.

The Executive Directors as at 30 June 2001 were Paul Anderson, Chief Executive Officer and Managing Director, Brian Gilbertson, Deputy Chief Executive Officer, and Ron McNeilly, Executive Director, Global Markets.

CORPORATE GOVERNANCE CONTINUED

The senior management group of BHP Billiton is the Executive Committee (formerly known as the Policy Committee). Details of the members of the Executive Committee are set out on page 31. Details of the management structure that has been implemented since the DLC merger are set out on pages 22 to 23 of this Report.

The Board, and all Directors are entitled to independent professional advice on any matter relating to the affairs of the Group. The provision of such advice, if required, would be arranged in consultation with the Chairman. In circumstances where a Director was to obtain separate advice from the advice obtained on behalf of the Group that advice would ordinarily be provided to all Directors.

Committees

In August, the Board approved the formation of three new Committees – Remuneration, Nominations and Health Safety and Environment.

Membership of all Committees is made up of Non-Executive Directors, save for the Health, Safety and Environment Committee where membership is extended to include specially qualified and experienced persons. The inclusion of independent experts on this Committee recognises the importance placed on issues of health, safety and the environment and the highly technical nature of the issues with which this Committee must grapple. Independent members are used to ensure that current practices are rigorously and objectively assessed and compared against external practices.

The Remuneration Committee will support and advise the Board on executive remuneration policy, remuneration of executive directors as well as reviewing and approving the remuneration of persons who directly report to the Chief Executive Officer and Managing Director and to the Deputy Chief Executive Officer and reviewing and approving equity incentive plans and other executive benefit programs.

The Nominations Committee will support and advise the Board on the assessment of skills required on the Board to enable the Board to operate to the highest level of performance, establish processes for the review of the performance of individual Directors and establish processes for the identification of suitable candidates for appointment to the Board.

The Audit Committee has been renamed as the Risk Management and Audit Committee and its terms of reference have been extended to include the provision of assistance to the Board to fulfil its corporate governance and oversight responsibility in relation to financial reporting, internal control structures, risk management systems and internal and external audit functions.

During the year the Audit Committee met on eight occasions, under the chairmanship of David Crawford.

The members of these Committees are:

Risk Management and Audit – David Crawford (Chair), Cornelius Herkströter, Ben Alberts and Barry Romeril.

Remuneration – John Jackson (Chair), John Ralph, Derek Keys and John Conde.

Nominations – Don Argus (Chair), Lord Renwick, John Schubert and David Brink.

Health, Safety and Environment – David Brink (Chair) and David Jenkins. Non-Director members are Professor Albert Davies, Dr David Slater and Dr Colin Soutar. Further appointments of suitably qualified persons will be made to ensure that all of the skills required to meet the responsibilities of the Committee are represented as far as possible.

Committees will meet periodically throughout the year as the business of the Committee necessitates. The office of the Company Secretary will provide secretarial services to each Committee. The agenda for Committee meetings will be prepared in conjunction with the Chairman of the relevant Committee and papers and submissions will be distributed to Committee members in advance. Each Committee will be free to invite members of management or others to attend meetings. Each Committee will also be free to take external advice as and when it considers appropriate.

Board Meetings

The number of meetings held throughout the past year is detailed on page 43. Seven meetings of the Board are scheduled for this current financial year, four of which will be held in Melbourne and three in London. The duration of meetings has now been extended from one to two days.

The agenda for meetings is prepared by the Company Secretary in conjunction with the Chairman and the Chief Executive Officer and Managing Director. Any member of the Board may request the addition of an item to the agenda. Papers and submissions are circulated in either electronic or hard copy form to Directors in advance of the meeting.

Members of the Executive Committee participate in meetings of the Board while other members of management attend meetings from time to time. A report from the Chief Executive Officer and Managing Director to members of the Board is provided on a monthly basis, whether or not the Board is meeting in that month.

The Board works to a rolling calendar and conducts periodic reviews of the businesses. Open, searching and constructive discussion by Directors is expected and encouraged. The Board recognises that constructive differences of opinion are a positive influence on debate.

Directors recognise that the merger creates very large businesses and that they will need to accelerate their learning about the new businesses. Each Director is being encouraged to agree a program, designed to run over a period of approximately 12 months that will expose that Director to the new assets and asset managers.

The Chairman

Don Argus is a Non-Executive Director and Chairman of both BHP Billiton Limited and BHP Billiton Plc. He has been a member of the BHP Billiton Limited Board since 1996 and Chairman since 1999.

The Chairman leads the Board and is responsible for representing the Board to shareholders. The Chairman's role in Board meetings includes the facilitation of debate. He works closely with the

CORPORATE GOVERNANCE CONTINUED

Chief Executive Officer and Managing Director as well as members of the Executive Committee. The Chairman takes responsibility for the governance processes through which the Board manages its activities.

Following the merger the Board appointed John Jackson, the senior Non-Executive Director of Billiton Plc, as its Deputy Chairman. The Deputy Chairman will work closely with the Chairman in discharging the responsibilities of his leadership role.

The Company Secretary

The Company Secretary is appointed by the Board and works with the Chairman to ensure that procedures, applicable rules and regulations relating to the Board are followed. The Company Secretary also works closely and pro-actively with the Chairman to monitor and enhance governance processes. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is Karen Wood.

Communication with Shareholders and Continuous Disclosure Obligations

BHP Billiton Limited and BHP Billiton Plc place considerable importance on effective communication with shareholders. The BHP Billiton Charter recognises the importance of forthright communication as a key plank in building shareholder value. An Annual Report is published each year and posted on the BHP Billiton website. A copy of the BHP Billiton Plc Annual Report has also been published on the website this year and is available to all shareholders on request. Announcements to Stock Exchanges and the media are posted on the website as are copies of business presentations and significant speeches. In addition to the Annual Report, quarterly releases covering profit performance, production figures and exploration activity are made. For the first time BHP Billiton Limited offered its shareholders an opportunity to receive the full year profit announcement (to 30 June 2001) electronically. Approximately 12 000 shareholders took up that opportunity and were emailed the announcement on the day of release.

In addition to meeting the objective of effective communication with shareholders both BHP Billiton Limited and BHP Billiton Plc understand and respect the fact that timely disclosure of relevant information is central to the operation of efficient securities markets. In meeting their obligations of continuous disclosure both are guided by a comprehensive Disclosure Policy. The Policy regulates the disclosure of information to ensure that the market operates in an informed environment. The Policy also covers the conduct of investor and analyst meetings and relations with the media. The Company Secretary takes primary responsibility for communications with Stock Exchanges in relation to listing rule obligations, including obligations of continuous disclosure.

Directors' Remuneration

The Constitution of the Company allows shareholders to determine the maximum aggregate sum, or cap, that can be paid to Non Executive Directors. The Board then determines the sum payable to each Non Executive Director within the approved cap. During the past year Non Executive Directors of BHP Limited were

paid a fee of \$110 000 per annum. The Chairman received a fee of \$440 000 being four times the fee payable to Non Executive Directors. Details of the fees paid to Directors during the past year are set out on page 42.

In May, shareholders approved an increase in the cap from \$1 500 000 (approved by shareholders in 1995) to \$3 000 000. This sum was approved by the shareholders of BHP Billiton Limited and BHP Billiton Plc and provides a single cap for fees paid to Directors of both companies.

As a result of the merger the Board, with the assistance of external experts, will review fees payable to Directors. This review has not yet taken place. The principles that will underpin the review are that:

- Directors will receive one fee only for their services as Directors of BHP Billiton Limited and BHP Billiton Plc
- the aggregate of the fees paid will be contained within the single cap of \$3 000 000; and
- fees will be conformed so that all Directors will receive the same base fee for service.

Given the multi national make-up of the Board, it is anticipated that fees will be denominated in one common currency (expected to be US dollars) and Directors will take those fees in the currency of their choice.

In 1989 the shareholders of BHP Limited approved a Retirement Agreement under which Non Executive Directors accrued monetary entitlements which were attached to years of service on the Board. At 30 June 2001 a total of \$2 308 846 had been accrued as a liability under the terms of the Agreement.

Entitlements are paid to Non Executive Directors on their retirement from the Board (or to nominated beneficiaries in the case of the death of a Director while in office).

At 30 June 2001 the amounts that had accrued in respect of each participating Director were as follows: D Crawford \$298 148; M Chaney \$291 226; J Conde \$289 893; D Argus \$981 230; J Ralph \$223 100; B Alberts \$115 836; D Jenkins \$53 915 and J Schubert \$55 498. These amounts are net of amounts accumulated under the Superannuation Guarantee Levy.

There are no plans to extend the Retirement Agreement beyond current participants.

BHP Billiton Limited has a Superannuation Fund. The only Director who is a member of that Fund is Ron McNeilly who is a non contributory member. Members are entitled to a lump sum benefit at the age of 55 years which is equal to 20% of final average salary for each year of membership up to 36 years. At the date of this Report Mr McNeilly has achieved service in excess of 36 years. As at 30 June 2001 and based on his service to date, Mr McNeilly would be entitled to a payment of \$7 129 963.

Share Ownership

In 2000 the BHP Billiton Limited Directors agreed to apply at least 25% of their remuneration from the Company to the purchase of

CORPORATE GOVERNANCE CONTINUED

BHP Billiton Limited shares until they achieved a shareholding equivalent in value to one year's remuneration and, thereafter, to maintain at least that level of shareholding throughout their tenure.

Following the merger the Board will again consider the issue of share ownership by Directors with a view to ensuring that a consistent policy exists for BHP Billiton Limited and BHP Billiton Plc. Details of the shares held by Directors are set out on page 41 of this Report.

BHP Billiton Limited has a policy that covers dealings in securities that applies to Directors and senior management. The policy has been designed to ensure that BHP Billiton Limited complies with corporate regulation in Australia and the United Kingdom and to ensure that shareholders, customers and the international business community have confidence that we will comply with best practice in corporate governance and will handle confidential information with integrity and sensitivity.

Executive Compensation

During the year BHP Billiton Limited has operated an executive compensation approach that is linked to value creation. The approach is underpinned by the Charter that defines BHP Billiton Limited's purpose, business imperatives, values and vision of future success. The underlying objective of the approach is to enable BHP Billiton Limited to attract and retain the highest calibre executive leadership team to ensure superior performance and the delivery of shareholder value. The scope of the merged entity reinforces the imperative of being in a position to attract, retain and incentivise executive talent from the global market.

Going forward, BHP Billiton's compensation approach is to benchmark against global remuneration practices while aiming to facilitate the effective utilisation of executive talent wherever needed across the group.

The key objectives of the new compensation package will be to:

- align the combined executive team;
- focus on the results of BHP Billiton as a global entity;
- reward individual performance by reference to our global performance;
- facilitate the deployment of our executive resources around the group;
- deliver globally, rewards of equivalent net value for comparable positions; and
- support the delivery of outstanding returns for shareholders by aligning performance related reward with the value delivered to shareholders.

The new BHP Billiton compensation approach will combine:

- base salaries based on the roles, individual performance, capability and potential. Market data will be used as salary benchmarks with particular consideration given to data from international comparator companies;
- short-term incentive awards made to Executive Directors and other senior executives. This award will directly support the

achievement of specified financial and non-financial performance objectives determined by the Remuneration Committee and the Board in respect of a single financial year;

- an integrated long-term incentive plan, consistent with existing incentive arrangements in BHP Billiton and reflecting the key package objectives outlined above; and
- an Investment Program for Executive Directors and other senior executives providing an opportunity to participate in a comprehensive investment programme designed to integrate the short term and long term incentives described above.

Managing Director

The Chief Executive Officer and Managing Director, Mr Paul Anderson is employed by BHP Billiton Limited under a fixed term contract which will conclude on 31 October 2003. Prior to that time, the contract is terminable by Mr Anderson by giving not less than 60 days' written notice. The contract is also terminable by BHP Billiton Limited for cause, or may be terminated by reason of death or disablement or protracted illness.

Under that contract Mr Anderson receives an annual salary of \$1 600 000. He also received a grant under BHP Billiton Limited's Performance Share Plan of 1 000 000 Performance Rights ("PRs") over the life of the contract, which are subject to performance and service conditions. The terms of issue of these PRs provide for the issue of a corresponding number of BHP Billiton Limited Shares, as adjusted to reflect the effect of the capital reduction undertaken in October 2000 and the bonus issue made in July 2001.

In the event that Mr Anderson's contract is terminated for a reason other than cause, or terminates by reason of death, disablement or protracted illness, he is entitled to a payment equal to twice his annual salary and reimbursement of reasonable relocation costs for himself and his immediate family from Australia to the US. In the event that BHP Billiton Limited fails to renew Mr Anderson's contract after its expiry on 31 October 2003 or to otherwise employ Mr. Anderson, BHP Billiton Limited is liable to pay Mr Anderson a payment equivalent to twice his annual salary and he is entitled to the reimbursement of reasonable costs for relocation of his family to the USA.

In addition to salary, Mr Anderson's contract provides that he shall be entitled to a lump sum payment of \$125 000 on 31 October 2003 if he is employed by BHP Billiton Limited on that date. Mr Anderson may at his discretion direct that deductions are made from his salary to enable him to participate in benefits programs available to executives of BHP Billiton Limited from time to time. Mr Anderson's salary may be increased during the term of the contract and whether or not an increase shall be awarded will be determined annually on 1 December.

Following the completion of the DLC merger the Remuneration Committee has resolved to review the remuneration of the Chief Executive Officer and Managing Director with a view to reaching parity, in terms of total compensation, with the Deputy Chief Executive Officer. This review has not yet taken place.

CORPORATE GOVERNANCE CONTINUED

Other Executives

For the last financial year members of the senior executive team continued to receive salary, employee benefits and participate in both a short-term (financial year) incentive plan and a long-term equity based incentive program using options and performance rights. Remuneration is normally determined by the Board as part of an annual review that considers performance, relevant comparative remuneration from our international peer group companies and independent external advice. Following the DLC merger the new Remuneration Committee will undertake this responsibility. Executive Directors and senior executives are absent from any meetings involving consideration of their own remuneration and employment terms.

Annual Incentive Plan

The financial performance of BHP Billiton Limited in the past financial year has resulted in high levels of incentive payments for our executive team. The incentive payments for this group (excluding the Managing Director) were 104.4% of their base salary for the fiscal period to 30 June 2001.

Share Plans

BHP Billiton Limited has continued to operate a range of employee share plans including the Employee Share Plan, Performance Share Plan and Bonus Equity Share Plan. The Employee Share Plan and Performance Share Plan were amended to facilitate the operation of these plans in jurisdictions outside Australia that may impose withholding tax obligations on BHP Billiton Limited. The Performance Share Plan was also amended so that the 10 per cent cap clause is consistent with the same clause in the other plans. Shares issued under the plans were within the 10 per cent cap of issued share capital.

As part of the merger the Australian Stock Exchange Limited ("ASX") granted the Company a waiver from the Listing Rules to the extent necessary to amend the terms of options issued under the BHP Employee Share Plan or Performance Share Plan for employees who are made redundant or terminated to bring forward any vesting period so that the options become exercisable immediately on termination of employment or redundancy. The waiver only applies to employees (excluding Directors) made redundant or terminated through no fault of their own within the initial twelve month period following the effective date of the merger and only in respect of options issued before that date.

Risk Management and Internal Controls

The management of risk continues to remain a high priority for the Board. In August 2001, the Board approved new Terms of Reference for the Audit Committee along with a change of its name to the Risk Management and Audit Committee. The Committee is charged with the responsibility for assisting the Board in a range of matters including oversight of financial reporting, internal control structures, risk management systems and internal and external audit functions. The Committee has the authority to recommend to the Board the appointment (and dismissal) of the external auditors and the Vice President Risk

Assessment and Assurance and to review the independence and objectivity of Risk Assessment and Assurance. A standardised, integrated risk assessment and management methodology is used and is consistent with Standards Australia's Risk Management Standard (AS/NZS 4360:1999).

Following the DLC merger BHP Billiton Limited has formalised its approach to financial risk management by the creation of a Financial Risk Management Committee (FRMC). The Committee is tasked to manage and monitor the financial risk management policies of the group including currency, commodity price and interest rate exposure, funding, liquidity and counterparty risk. The Committee meets monthly, in the presence of all members of the Executive Committee, Vice President Treasurer and Corporate Finance and Vice President Market Risk Management and receives reports on financial performance against policy, economic outlook, financial risk mitigation strategies, financial risk leverage strategies, credit risk management, country risk management, funding and performance and risk capital investments. The Committee is also charged with the responsibility to develop financial risk management policies for the approval of the Board.

The FRMC monitors and approves the use of financial instruments, commodity contracts, or other hedging instruments and techniques (such as insurance or risk sharing arrangements) to mitigate the identified risks where it is considered appropriate.

Political Contributions

BHP Billiton Limited maintains a position of impartiality with respect to party politics. Accordingly BHP Billiton Limited does not contribute funds to any political party, politician, or candidate for public office. It does, however, contribute to the public debate of policy issues that may affect BHP Billiton Limited in the countries in which it operates.

Business Conduct and The Charter

BHP Billiton has produced a Guide to Business Conduct that is designed to assist every employee to make the decisions that are required of them in the performance of their responsibilities. The Group has established a worldwide help line as a means by which employees can seek guidance on how to make decisions with which they feel confident and comfortable. The help line also affords employees an opportunity to express issues of concern.

BHP Billiton's approach to business conduct reflects the Charter which itself recognises that lasting success is built on each employee taking responsibility, achieving high performance, delivering on commitments and earning trust. The Charter, which has been endorsed since the merger, states the purpose of the Group as being to create value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions. It also formalises the value the Group places on safety and the environment, integrity, high performance, win-win relationships, the courage to lead change and respect for each other.

STATUTORY REPORT

The principal activities of BHP Billiton Limited during the financial period were minerals exploration, production and processing (particularly coal, iron ore and copper), hydrocarbon exploration and production, and steel production and processing.

As a result of the DLC merger, referred to below, the BHP Billiton Limited Group's portfolio now also comprises aluminium, alumina, seaborne steaming coal, titanium minerals and ferroalloys businesses.

A review of the operations during the financial period and the results of those operations appear on pages 11 to 13, 15 to 21 and 46 to 50.

Significant changes in the state of affairs of BHP Billiton Limited that occurred during the financial period are as follows:

- the Dual Listed Companies merger of BHP Limited and Billiton Plc was announced on 19 March 2001 and completed on 29 June 2001, as referred to on pages 11, 15, 22 and 23;
- the spin-out of the BHP Billiton Limited Group's steel long products business, OneSteel Limited (OneSteel), completed in October 2000, as referred to on pages 11, 16 and 19;
- the decision to publicly list the BHP Billiton Limited Group's complete steel flat products business, as referred to on pages 11 and 19;
- the approval of the Chilean Escondida copper mine Phase IV expansion project, as referred to on pages 11, 16, 18 and 20;
- the development of the San Juan underground coal mine in New Mexico to replace production from the existing San Juan and La Plata surface mines, as referred to on pages 16, 19 and 20;
- the move to equal ownership of interests in the Central Queensland Coal Associates and Gregory Joint Ventures by the BHP Billiton Limited Group and Mitsubishi Development Pty Ltd, as referred to on pages 11, 18 and 19;
- the joint acquisition of QCT Resources Ltd by the BHP Billiton Limited Group and Mitsubishi Development Pty Ltd, as referred to on pages 11, 16 and 19;
- the long term natural gas supply agreement with Duke Energy International, entered into by BHP Petroleum Ltd and Esso Australia Resources Pty Ltd;
- the first production of oil and gas from the Typhoon oilfield, as referred to on page 16;
- the acquisition of 98.2% of the Class A and 84.9% of the Class B shares of Dia Met Minerals Ltd, as referred to on page 19;
- implementation by BHP Billiton Limited of an on-market buyback program for the purchase of up to 186 million of its shares (adjusted to reflect the impact of the bonus issue), as referred to on page 12;
- the write-off of the Company's investment in the Orinoco Hot Briquetted Iron (HBI) facility and provision for obligations related to bank guarantees, as referred to on pages 11, 15 and 19;
- the decision to write-off the BHP Billiton Limited Group's share of Ok Tedi's net assets, as referred to on pages 15 and 19; and
- the sale of a number of assets as referred to on page 19.

No matter or circumstance has arisen since the end of the financial period that has significantly affected or may significantly affect the operations, the results of operations or state of affairs of BHP Billiton Limited in future years.

Likely developments in, and the expected results of, the operations of BHP Billiton Limited in future financial years are referred to elsewhere in this Annual Report, particularly on pages 12, 13, 16, 17 and 23. The Directors believe that to include further information on those matters would be likely to result in unreasonable prejudice to BHP Billiton Limited.

Particulars in relation to environmental performance are referred to on page 43.

No proceedings have been brought on behalf of BHP Billiton Limited, nor any application made under section 237 of the Corporations Law.

Rule 103 of BHP Billiton Limited constitution requires BHP Billiton Limited to indemnify each Director, secretary or executive officer of BHP Billiton Limited, to the extent permitted by law, against liability incurred in, or arising out of, the conduct of the business of BHP Billiton Limited or the discharge of the duties of the Director, secretary or executive officer. The Directors named on pages 26 to 29, executive officers and the secretary of BHP Billiton Limited have the benefit of Rule 103, as do people who formerly held one of those positions.

Pursuant to authority granted by shareholders in 1999, during the 2000 financial year BHP Billiton Limited entered into deeds of indemnity with each Director who was in office at, or had joined BHP Billiton Limited since, 9 August 1999, in terms of the indemnity provided under BHP Billiton Limited's constitution. During 2001, such deeds of indemnity were also entered into with each new Director, including those appointed following the DLC merger.

STATUTORY REPORT CONTINUED

On 26 August 2000, BHP Billiton Limited entered into deeds of indemnity with Directors and Directors Elect of OneSteel Limited. Directors were indemnified against losses, damage, claims or expenses incurred in connection with or arising as a result of the spin-out. No indemnity is provided to BHP Billiton Limited's auditor.

BHP Billiton Limited has insured against amounts that it may be liable to pay to Directors, secretaries or executive officers pursuant to Rule 103 of BHP Billiton Limited's constitution or that it otherwise agrees to pay by way of indemnity. The policy also insures Directors, secretaries and executive officers of BHP Billiton Limited against certain liabilities they may incur in carrying out their duties for BHP Billiton Limited. Directors, secretaries and executive officers contribute to the premium for this insurance. BHP Billiton Limited is prohibited, under the terms of the insurance contract, from disclosing details of the premium.

The Directors of BHP Billiton Limited at the date of this report, and details of their qualifications, experience and special responsibilities, are set out on pages 26 to 29. The number of meetings of the Board of Directors and each Board Committee held during the financial period, as well as each Director's attendance at those meetings, are set out in the table on page 43.

The table on page 41 sets out the following details for each Director of BHP Billiton Limited:

- their relevant interests in shares of BHP Billiton Limited;
- their rights or options over shares in BHP Billiton Limited; and
- contracts to which the Director is a party, or under which the Director is entitled to benefit, that confer a right to call for shares in BHP Billiton Limited.

BHP Billiton Limited has not made available to any Director any interest in a registered scheme.

A discussion of the broad policy for determining the nature and amount of emoluments of Directors and senior executives of BHP Billiton Limited, and a discussion of the relationship between that policy and BHP Billiton Limited's performance, appears on pages 36 and 37.

The following details appear in the table on page 42:

- the nature and amount of each element of the emolument of each Director, and each of the five officers of BHP Billiton Limited and the BHP Billiton Limited Group receiving the highest emolument; and
- options over unissued shares that have been granted during, or since, the financial period as part of the remuneration of any of the Directors or any of the five most highly remunerated officers of BHP Billiton Limited and the BHP Billiton Limited Group.

BHP Billiton Limited is a company of a kind referred to in Australian Securities and Investments Commission Class Order No. 98/100, dated 10 July 1998. Amounts in this report, excepting estimates of future expenditure, or where otherwise indicated, have been rounded off in accordance with that Class Order: that is, rounded to the nearest million dollars.

The Directors' Report is made in accordance with a resolution of the Board.



D R Argus
Chairman of Directors

3 September 2001

STATUTORY REPORT CONTINUED

Particulars of shares and other interests held by Directors in BHP Billiton Limited as at the date of this report								
	Shares (beneficially held unless otherwise indicated) (a)		Shares (partly paid)		Options over shares (b)		Performance Rights (c)	
	2001	2000	2001	2000	2001	2000	2001	2000
D R Argus	183 495	39 012						
P M Anderson	950 856	304 000			1 000 000	1 000 000	500 000	700 000
R J McNeilly	1 090 834 (d)	110 456	610 000 (e)	610 000 (e)	250 000	250 000	57 222	
			200 000 (f)	200 000 (f)				
D A Crawford	9 826	2 758						
J C Conde	32 144	5 565						
	–	902 (g)						
M A Chaney	4 338	2 100						
J T Ralph	29 190	14 134						
B C Alberts	10 326	1 000						
D A Jenkins	10 327	1 000						
J M Schubert	23 675	11 464						
J B Jackson	–	*						
B P Gilbertson	–	*						
D C Brink	–	*						
C A Herkströter	–	*						
D L Keys	–	*						
Lord Renwick of Clifton	1 000	*						
B D Romeril	–	*						

* Not a Director at the date of the 2000 Report to Shareholders. These Directors do hold shares in BHP Billiton Plc.

(a) Beneficially held in own name, in name of trust, or nominee company or private company. There was a bonus issue of 1.0651 shares for every share held on 5 July 2001.

(b) Mr P M Anderson was issued with 1 000 000 options and Mr R J McNeilly with 250 000 options under the Company's Employee Share Plan after approval by shareholders in General Meeting on 26 February 1999. The strike price for Mr Anderson was \$15.73 (adjusted by \$0.66 cents as a result of the OneSteel capital reduction) and \$15.72 for Mr McNeilly (adjusted by \$0.66 cents as a result of the OneSteel capital reduction). Whilst there was no reduction in the strike price following the bonus issue on 5 July 2001, bonus shares accrued on each option. The options are not exercisable before 23 April 2002 and are also subject to performance hurdles.

(c) Mr P M Anderson was issued with 1 000 000 Performance Rights after approval by shareholders in the General Meeting on 26 February 1999. Each Performance Right constitutes a right to acquire (after adjustment to take account of the spin off of OneSteel Limited in October 2000 and the bonus issue in July 2001) 2.1411 ordinary shares upon completion of service conditions or fulfilment of performance conditions. As at the date of the report, 300 000 of the Performance Rights subject to service conditions and 200 000 subject to performance conditions have become exercisable. The Performance Rights have a zero exercise price. Mr R J McNeilly was issued with 57 222 Performance Rights after approval by shareholders in General Meeting on 17 October 2000. Each Performance Right constitutes a right to acquire 2.0651 ordinary shares subject to a performance hurdle relating to total shareholder return. The Performance Rights have a zero exercise price. They are first exercisable on 1 July 2003 and expire on 1 November 2010.

(d) This number includes 862 731 shares issued as part of the bonus issue in July 2001 on Mr R J McNeilly's partly paid shares held by BHP Billiton Limited in escrow under the terms of the Executive Share Scheme.

(e) Beneficially held, paid to 67 cents, issued under BHP Billiton Limited's Executive Share Scheme.

Number	Date issued	Final Call (\$) (after adjustment for OneSteel capital reduction)
25 000	5.10.87	9.98
75 000	24. 8.88	7.74
60 000	7. 8.89	9.18
50 000	6. 8.90	10.31
200 000	3. 8.92	12.91
200 000	6.10.93	16.01

(f) Beneficially held, paid to 71 cents, issued under BHP Billiton Limited's Executive Share Scheme on 5 August 1991 at a final call price of \$12.81 (after adjustment for OneSteel capital reduction).

(g) Non-beneficially held.

STATUTORY REPORT CONTINUED

Details of remuneration provided to Directors of BHP Billiton Limited and to the most highly remunerated officers of the BHP Billiton Limited Group and BHP Billiton Limited are as follows:

\$ Dollars	Salary	Fees	Other benefits (a)	Short-term incentives (b)	Long-term incentives (c)	Superannuation contributions (d)	Total	Number of Performance Rights granted (e)
Executive Directors								
P M Anderson	1 583 333	—	—	6 239 739	—	—	7 823 072	—
B P Gilbertson (f)	—	—	—	—	—	—	—	—
R J McNeilly	1 026 500	—	3 300	961 956	842 880	111 733	2 946 369	57 222
Non-Executive Directors								
D R Argus	440 000	—	—	—	—	35 200	475 200	—
D A Crawford	110 000	—	—	—	—	8 800	118 800	—
J C Conde	110 000	—	—	—	—	8 800	118 800	—
M A Chaney	110 000	—	—	—	—	8 800	118 800	—
J T Ralph	110 000	—	—	—	—	8 800	118 800	—
B C Alberts	110 000	—	—	—	—	8 800	118 800	—
D A Jenkins	110 000	—	—	—	—	8 800	118 800	—
J M Schubert	110 000	—	—	—	—	8 800	118 800	—
J B Jackson (f)	—	—	—	—	—	—	—	—
D C Brink (f)	—	—	—	—	—	—	—	—
C A Herkströter (f)	—	—	—	—	—	—	—	—
D L Keys (f)	—	—	—	—	—	—	—	—
Lord Renwick of Clifton (f)	—	—	—	—	—	—	—	—
B D Romeril (f)	—	—	—	—	—	—	—	—

\$ Dollars	Salary	Other benefits (a)	Short-term Incentives (b)	Long-term Incentives (c)	Superannuation contributions (d)	Total	Number of Performance Rights granted (e)
Officers							
C W Goodyear	1 000 000	507 988	1 125 000	1 227 495	—	3 860 483	83 333
K C Adams	875 000	1 074 810	985 200	736 500	127 500	3 799 010	50 000
B A Mills	892 193	476 565	995 086	828 563	199 591	3 391 998	56 250
P S Aiken	997 000	49 036	1 046 849	815 880	202 391	3 111 156	55 389
J C Fast	750 000	—	836 043	644 438	100 962	2 331 443	43 750

The elements of emoluments have been determined on the basis of the cost to the Company and in accordance with Urgent Issues Group Abstract 14: Directors' Remuneration.

- (a) This includes allowances and the value of non-cash benefits where appropriate such as health insurance, housing and expatriate assignment costs. The amounts include Fringe Benefits Tax where applicable.
- (b) (i) Remuneration includes short-term cash incentives payable to Executive Directors and executive officers based on the achievement of business performance targets and individual performance for the year ended 30 June 2001. In addition, B A Mills and P S Aiken have elected to participate in the Bonus Equity Share Plan to the extent of 50% of their short-term incentives. Refer note 30 of the 'BHP Billiton Limited Annual Report 2001 – Description of business and financial statements.'
- (ii) Short term incentives include, for the Managing Director, amounts related to Performance Rights for service and performance during the year ended 30 June 2001.
- (iii) Non-executive Directors are not entitled to any form of performance-related remuneration.
- (c) Long-term incentives for the year ended 30 June 2001 represent amounts related to Performance Rights granted to Executive Directors and executive officers. The value of a Performance Right

granted during the year ended 30 June 2001 has been determined by an actuary using modified Black-Scholes option pricing techniques to be \$14.73 (pre bonus issue).

- (d) This includes BHP Billiton Limited contributions to superannuation funds and, in most cases, an imputed notional contribution calculated at the determined actuarial rate.
- (e) Performance Rights were issued to executive officers under the BHP Performance Share Plan. Each Performance Right constitutes a right, issued by a trustee of a special purpose trust established by BHP Billiton Limited, to require the trustee to acquire a BHP Billiton Limited share on behalf of the executive, upon fulfilment of prescribed performance hurdles. Where a performance hurdle is fulfilled, related Performance Rights are exercisable. The performance hurdles measure the BHP Billiton Limited Group's performance in terms of total shareholder return against the performance of a number of international companies. For Performance Rights issued in the year ended 30 June 2001, first measurement will occur after 30 June 2003 and the Performance Rights lapse if the hurdles have not been achieved by 30 June 2005. Performance Rights have a zero exercise price, they are not transferable and carry no right to dividends and no voting rights.
- (f) Appointed 29 June 2001.

STATUTORY REPORT CONTINUED

	Board		Audit	
	A	B	A	B
D R Argus	12	12		
P M Anderson	12	11		
R J McNeilly	12	12		
D A Crawford	12	12	8	8
J C Conde	12	12	8	7
M A Chaney	12	12		
J T Ralph	12	12		
B C Alberts	12	12	8	8
D A Jenkins	12	11		
J M Schubert	12	11		
J B Jackson *	–	–		
B P Gilbertson *	–	–		
D C Brink *	–	–		
C A Herkströter *	–	–		
D L Keys *	–	–		
Lord Renwick of Clifton *	–	–		
B D Romeril *	–	–		

Column A – Indicates the number of meetings held during the period the Director was a member of the Board and/or Committee. Includes four unscheduled Board meetings called at short notice.

Column B – Indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

* Appointed 29 June 2001.

Performance in relation to environmental regulation

BHP Billiton Limited’s performance in relation to environmental regulation during 2001 (ie 12 months from 1 July 2000 to 30 June 2001) is measured by:

- the number and amount of fines and prosecutions incurred by BHP Billiton Limited’s world wide operations (Table 1); and

the number of environmentally significant incidents (including non-compliances) that occurred in BHP Billiton Limited’s world wide operations. There were no significant incidents (ie severity rating 3 or above) reported for 2001, based on BHP Billiton Limited’s internal severity rating scale (tiered 1 to 5 in terms of increasing severity).

Table 1: Fines and Prosecutions (2001)	
BHP Business	Fines and Prosecutions
Minerals	<ul style="list-style-type: none"> • La Plata mine, New Mexico Coal, US, in July 2000 received a fine of US\$1 210 regarding an Office of Surface Mining inspection in March 2000, and subsequent Notice of Violation relating to road use and maintenance, and sediment control measures. • Tower mine, Illawarra Coal, NSW, Australia, in March 2001 received two fines of \$1 500 each for failure to comply with EPA licence conditions regarding recording of water flow rates. • Appin mine, Illawarra Coal, NSW, Australia, in June 2001 received a \$1 500 fine for failure to comply with EPA licence conditions regarding recording of water flow rates.
Petroleum	<ul style="list-style-type: none"> • Liverpool Bay, UK, in November 2000, received a fine of £40 000 following an oil spill of 345 bbls in June 1998.
Steel	<ul style="list-style-type: none"> • Chullora Service Centre, NSW, Australia, received a \$1 500 fine for contravening a licence condition (late submission of certificate) in August 2000. • Port Kembla steelworks, NSW, Australia, in October 2000 received three fines of \$1 500 each for sinter plant stack opacity exceedences. • Port Kembla steelworks, NSW, Australia, in February 2001 received 10 fines of \$1 500 each. These related to various offences, including failure to carry out emission surveys, fugitive dust emissions, emissions from a blocked standpipe cap, and sinter plant stack opacity exceedences.
Transport and Logistics	<ul style="list-style-type: none"> • None

CONCISE FINANCIAL STATEMENTS

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DISCUSSION AND ANALYSIS

The following discussion and analysis is provided to assist readers in understanding the concise financial report. For a reconciliation of the material differences between generally accepted accounting principles (GAAP) as followed by the BHP Billiton Limited Group in Australia and those generally accepted in the US refer Note 7 to the concise financial statements.

Translations of amounts from Australian dollars into US dollars have been made for the convenience of the reader at the noon buying rate in New York City for cable transfers in Australian dollars, as certified for customs purposes by the Federal Reserve Bank of New York on Friday 29 June 2001, at US\$0.5100 = A\$1.

Directors announced on 17 December 1999 that the financial year end for the BHP Billiton Limited Group would change from 31 May to 30 June with effect from 30 June 2000. This discussion and analysis of the financial statements relates to the year ended 30 June 2001. All references to the corresponding period are to the thirteen months ended 30 June 2000.

Major factors affecting net profit for the year ended 30 June 2001 compared with the year ended 30 June 2000 are generally consistent with the major factors for the year ended 30 June 2001 compared to the thirteen months ended 29 June 2000. Net profit (before outside equity interests) for the month of June 1999 was \$44 million. There were no significant items in June 1999.

Statement of Financial Performance

Net profit attributable to members of BHP Billiton Limited for the year ended 30 June 2001 was \$2 007 (US\$1 024) million, compared with \$1 627 million for the thirteen months ended 30 June 2000, an increase of \$380 (US\$194) million or 23%.

The annual profit is the highest in the BHP Billiton Limited Group's history.

Excluding significant items and outside equity interests (refer below), there were a number of factors which affected the results for 2000–2001, when compared to the corresponding period.

- Foreign currency fluctuations net of hedging had a favourable effect of approximately \$610 (US\$311) million after tax compared with 1999–2000;
- Higher prices, after commodity hedging, for petroleum products and higher iron ore prices increased profits by approximately \$460 (US\$235) million compared with 1999–2000. These price increases were partly offset by lower prices for steel products which decreased profits by approximately \$85 (US\$43) million after tax compared with 1999–2000;

- Profits from new operations were approximately \$180 (US\$92) million after tax higher than the previous year reflecting higher profits from the Laminaria/Corallina oil fields (North West Australia) and equity accounted profits from QCT Resources Limited (QCT);
- Increased equity accounted losses from HBI Venezuela had an unfavourable effect on results of approximately \$80 (US\$41) million compared with the corresponding period. The corresponding period included profits from discontinued steel operations of approximately \$45 (US\$23) million, and profits of approximately \$35 (US\$18) million from the Kutubu, Gobe and Moran producing fields (Papua New Guinea) and the Buffalo oil field (North West Australia) which have been sold;
- Exploration expenditure charged to profit was approximately \$115 (US\$59) million after tax higher compared to 1999–2000 mainly reflecting petroleum exploration activity in the Gulf of Mexico, Latin America and Algeria, and the write-off of previously capitalised exploration expenditure for the Agua Rica copper project (Argentina);
- Costs had an unfavourable impact of approximately \$80 (US\$41) million compared with the corresponding period mainly due to implementation costs associated with the introduction of Shared Business Services, higher development and work-over costs at petroleum operations in the Gulf of Mexico, dragline maintenance shutdowns at Queensland coal operations, higher royalty and diesel costs at West Australian iron ore operations, and higher superannuation contributions following cessation of a contribution holiday in the corresponding period; and
- The transitional month of June 1999 contributed net profit of \$44 million in the corresponding period.

The 2000–2001 result includes significant items that resulted in a net charge (before outside equity interests) to profit of \$1 243 (US\$634) million, comprising:

- in Minerals, a net loss of \$989 (US\$505) million after tax, comprising a \$356 (US\$182) million charge to profit from the write-off of the equity investment in HBI Venezuela and the establishment of provisions and other associated costs, a charge to profit of \$804 (US\$410) million after tax (before outside equity interests) for the write-off of the BHP Billiton Limited Group's interest in the Ok Tedi copper mine (Papua New Guinea), a charge to profit of \$54 (US\$28) million after tax for changes in accounting policy for restoration and rehabilitation, and a charge to profit of \$23 (US\$12) million after tax for organisation restructuring costs and provisions, partly offset by a profit of \$248 (US\$127) million (no tax effect) from the equalisation of interests in the Central Queensland Coal Associates (CQCA) and Gregory joint ventures;

DISCUSSION AND ANALYSIS CONTINUED

- in Petroleum, a credit to profit of \$109 (US\$56) million after tax for a change in accounting policy for restoration and rehabilitation;
- in Steel, a charge to profit of \$29 (US\$15) million after tax for organisation restructuring costs and provisions; and
- in Group and unallocated items, a net loss of \$334 (US\$170) million after tax, comprising a \$455 (US\$232) million loss representing provisions for financial obligations to banks and other provisions related to the decision to cease further investment in HBI Venezuela, a charge to profit of \$71 (US\$36) million (no tax effect) for merger transaction costs, a charge to profit of \$63 (US\$32) million for non-deductibility of financing costs as a consequence of an income tax audit, a charge to profit of \$10 (US\$5) million after tax for organisation restructuring costs and provisions, partly offset by a credit to profit of \$265 (US\$135) million after tax for changes in accounting policy for pension plans.

Significant items totalled a net loss of \$405 million in the corresponding period.

The share of net profit or loss attributable to outside equity interests increased from a loss of \$34 million in 1999–2000 to a loss of \$498 (US\$254) million in 2000–2001. The increase was mainly due to the impact of the Ok Tedi write-off adjustment of \$518 (US\$264) million reflecting outside equity interest's share of Ok Tedi's net assets at 30 June 2001.

Statement of Financial Position

Total assets decreased by \$157 (US\$80) million during the year ended 30 June 2001 to \$29 187 (US\$14 885) million.

This decrease was mainly as a result of the spin-out of OneSteel Limited's total assets of \$2 601 (US\$1 327) million, the write-off of the interest in the Ok Tedi copper mine of \$832 (US\$424) million and the write-off the equity investment in HBI Venezuela of \$322 (US\$164) million.

This was partially offset by capital and investment expenditure totalling \$3 470 (US\$1 770) million.

Total liabilities decreased by \$400 (US\$204) million during 2001 to \$17 939 (US\$9 149) million. This movement was mainly a result of debt repayment.

Total shareholders' equity increased by \$243 (US\$124) million to \$11 248 (US\$5 736) million during 2001. The main factors that contributed to the increase included:

- current year profits of \$2 007 (US\$1 024) million attributable to shareholders; and
- shares issued of \$164 (US\$84) million; partly offset by
- a reduction in contributed equity of \$1 244 (US\$634) million associated with the OneSteel spin-out; and
- dividends provided for or paid of \$912 (US\$465) million.

The decrease in borrowings and the increase in shareholders' equity resulted in the debt to equity ratio decreasing from 42.7% at 30 June 2000 to 38.3% at 30 June 2001.

Return on BHP Billiton Limited shareholders' equity was 18.2% for the year ended 30 June 2001 compared with 15.7% in the corresponding period.

Statement of Cash Flows

Total cash inflow for the year 30 June 2001 was \$119 (US\$61) million compared with a cash inflow of \$356 million for the corresponding period, a variation of \$237 (US\$121) million.

Factors contributing to this variation included:

- an increase in purchases of assets (including investments) of \$1 961 (US\$1 000) million to \$3 874 (US\$1 976) million; and
- an increase in cash dividends paid of \$428 (US\$218) million to \$926 (US\$472) million.

These unfavourable variations to cash flows were largely offset by:

- an increase in cash inflows from operating activities of \$1 067 (US\$544) million to \$5 005 (US\$2 553) million; and
- a lower net cash outflow related to borrowings of \$1 295 (US\$660) million compared with the corresponding period due to lower debt reduction.

The accompanying concise financial statements and notes to the concise financial statements have been derived from the full financial statements of the BHP Billiton Limited Group for the year ended 30 June 2001 contained in the 'BHP Billiton Limited Annual Report 2001 – Description of business and financial statements'. The concise financial statements and notes to the concise financial statements cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the BHP Billiton Limited Group as the full financial statements.

The full 'BHP Billiton Limited Annual Report 2001 – Description of business and financial statements' can be downloaded from www.bhpbilliton.com or can be obtained, free of charge, by shareholders upon request.

Delivery can be arranged by calling:

Shareholders in Australia:

1300 656 780

or by writing to the following address:

Manager Share Department
BHP Billiton Limited
GPO Box 782
Melbourne Victoria 3001
Australia

REVIEW OF BUSINESS PERFORMANCE

The following review of business performance is provided to assist readers in understanding the financial condition and results of business operations and should be read in conjunction with the preceding discussion and analysis of financial statements.

Translations of amounts from Australian dollars into US dollars have been made for the convenience of the reader at the noon buying rate in New York City for cable transfers in Australian dollars, as certified for customs purposes by the Federal Reserve Bank of New York on Friday 29 June 2001, at US\$0.5100 = A\$1.

Directors announced on 17 December 1999 that the financial year end for the BHP Billiton Limited Group would change from 31 May to 30 June with effect from 30 June 2000. This discussion and analysis of the financial statements relates to the year ended 30 June 2001. All references to the corresponding period are to the thirteen months ended 30 June 2000.

Minerals

Revenue from ordinary activities (including inter-segment sales) was \$10.5 (US\$5.4) billion during 2000–2001, an increase of 14% over 1999–2000. Sales revenue was \$9.5 (US\$4.9) billion, an increase of 10% over 1999–2000. The lower A\$/US\$ exchange rate, higher iron ore volumes and prices, and higher coal prices and volumes favourably affected 2000–2001 sales revenue. Other revenues mainly represent proceeds from sales of non-current assets, including proceeds of approximately \$760 (US\$388) million from the equalisation of interests in the CQCA and Gregory joint ventures.

The average price booked for copper shipments (after hedging and finalisation adjustments) in 2000–2001 was US\$0.78 per pound (1999–2000 – US\$0.78). Finalisation adjustments after tax, representing adjustments on prior period shipments settled in 2000–2001, were \$16 (US\$8) million unfavourable (1999–2000 – \$30 million favourable). Unhedged copper shipments not finalised at 30 June 2001 have been brought to account at the London Metal Exchange (LME) copper spot price at 29 June 2001 which was US\$0.70 per pound.

The net profit for 2000–2001 was \$624 (US\$318) million, compared with a profit of \$480 million in the previous year. The 2000–2001 result includes a net charge to profit of \$989 (US\$505) million after tax, comprising the write-off of the equity investment in HBI Venezuela and the establishment of provisions and other associated costs, the write-off of BHP Billiton Limited's interest in the Ok Tedi copper mine, changes in accounting policy for restoration and rehabilitation and organisation restructuring costs and provisions, partly offset by a profit from the equalisation of interests in the CQCA and Gregory joint ventures.

The decision to cease further investment in HBI Venezuela was announced in the third quarter following a detailed review of the future economic value of the asset. The review identified that, in the context of changed operating and market conditions,

BHP Billiton Limited does not expect the plant to meet the operational and financial performance targets necessary to justify any further investment in the project, nor would it satisfy bank completion requirements for project financing. These factors coupled with possible partner funding issues influenced the decision.

Over the last year BHP Billiton Limited Group has been negotiating with the other shareholders on the terms and conditions related to its exit from Ok Tedi. Based on the status of these negotiations it has been decided to write-off the BHP Billiton Limited Group's share of Ok Tedi's net assets (\$286 million after tax and outside equity interests). The Minerals segment results include an \$804 million write-off adjustment reflecting 100% of the net assets of Ok Tedi which is prior to deducting outside equity interests of \$518 million. From 1 July 2001 no BHP Billiton Limited profit for Ok Tedi will be recognised except to the extent that actual dividends are received by BHP Billiton Limited Group. Negotiations are continuing with the other shareholders on the terms and conditions related to the BHP Billiton Limited Group's exit from Ok Tedi. These terms and conditions may include short term financial support of a 'bridging' nature to assist Ok Tedi immediately after the BHP Billiton Limited Group's withdrawal.

Excluding significant items, the 2000–2001 profit was \$1.6 (US\$0.8) billion, an increase of \$0.4 (US\$0.2) billion or 32% compared with the previous period. The significantly lower A\$/US\$ exchange rate, higher iron ore volumes and prices, and higher coal prices and volumes all contributed to the improved result for 2000–2001. These factors were partly offset by increased equity accounted losses from HBI Venezuela during the year resulting from production ramp-up difficulties and the cessation of interest capitalisation following commissioning, higher costs at Queensland coal operations due to dragline maintenance shutdowns and West Australian iron ore operations due to higher royalty and diesel costs.

Exploration expenditure incurred in 2000–2001 was \$137 (US\$70) million. The amount charged to profit was \$156 (US\$80) million, reflecting capitalised expenditure of \$14 (US\$7) million and the write-off of \$33 (US\$17) million previously capitalised expenditure. The amount capitalised primarily represents expenditure at EKATI™ (Canada) and Escondida Norte (Chile). In 1999–2000, the expenditure incurred was \$110 million and the amount charged to profit was \$101 million, reflecting capitalised expenditure of \$9 million.

Depreciation and amortisation expense was \$1 050 (US\$535) million, an increase of \$161 (US\$82) million compared with 1999–2000. The higher charge for 2000–2001 reflects the effect of the change in accounting policy for restoration and rehabilitation, the unfavourable effect of exchange rate variations and higher depreciation on recently commissioned operations.

REVIEW OF BUSINESS PERFORMANCE CONTINUED

Petroleum

Revenue from ordinary activities (including inter-segment sales) was \$6.4 (US\$3.3) billion during 2000–2001, an increase of \$0.8 (US\$0.4) billion from the previous period. This comprised sales revenue of \$6.3 (US\$3.2) billion in 2000–2001, compared with \$5.0 billion in 1999–2000 and other revenue of \$138 (US\$70) million in 2000–2001, compared with \$610 million in the previous period. In 2000–2001, the other revenue mainly represents proceeds from the sale of non-current assets.

Sales revenue was favourably affected by the lower A\$/US\$ exchange rate and the higher average realised oil price net of commodity hedging of US\$28.04 (A\$52.16) per barrel compared to US\$22.43 (A\$35.89) per barrel in the previous period. The average realised oil price before commodity hedging was US\$29.39 per barrel (2000 – US\$24.67 per barrel).

Oil and condensate production was 1% lower than the corresponding period due to natural field decline at Bass Strait (Victoria), the sale of the Buffalo oil field and lower Bruce (UK) production due to shut-ins for repairs. These were partly offset by higher volumes at the Laminaria/Corallina oil fields in their first full year of production, Liverpool Bay (UK) due to strong performance following a major maintenance shutdown, and Griffin (North West Australia) due to the impact of the infill wells and favourable weather conditions for operations.

Natural gas production was 15% higher than the previous year which was largely attributable to higher volumes from Bass Strait, higher volumes from Bruce and Griffin, and the commencement of production at the Zamzama field (Pakistan) late in March 2001. LNG production at the North West Shelf in Western Australia was 5% lower than the previous year mainly due to longer than planned maintenance shut-downs in October 2000.

Net profit for 2000–2001 was \$1.9 (US\$1.0) billion, an increase of \$0.6 (US\$0.3) billion, compared with the profit of \$1.3 billion in the previous year. The 2000–2001 result included a credit to profit of \$109 (US\$56) million after tax for a change in accounting policy for restoration and rehabilitation. The 1999–2000 result included a net credit to profit of \$171 million after tax, comprising profits on the sale of PNG petroleum assets and the BHP Billiton Limited Group's interest in the Bolivia to Brazil pipeline, and a tax benefit from restatement of deferred tax balances, partly offset by restructuring costs and provisions.

Excluding significant items, the profit for 2000–2001 was \$1.8 (US\$0.9) billion, an increase of \$0.7 (US\$0.4) billion compared with the 1999–2000 result. In addition to the price and volume factors mentioned above, the 2000–2001 result was affected by higher natural gas, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) prices, and higher profits from the Laminaria/Corallina oil fields which commenced operations in

November 1999. These factors were partly offset by lower Bass Strait oil sales volumes and higher exploration charged to profit reflecting exploration activity in the Gulf of Mexico, Latin America and Algeria.

Exploration expenditure in 2000–2001 was \$385 (US\$196) million, compared with \$263 million in 1999–2000. Exploration charged to profit was \$271 (US\$138) million in 2000–2001. In 1999–2000 exploration expenditure of \$208 million was charged to profit including the write-off of \$16 million previously capitalised expenditure.

Depreciation and amortisation expense increased by 14% to \$1 007 (US\$514) million in 2000–2001, mainly due to the effect of the change in accounting policy for restoration and rehabilitation, the unfavourable effect of exchange rate variations and higher depreciation on recently commissioned operations.

Steel

Revenue from ordinary activities (including inter-segment sales) was \$6.7 (US\$3.4) billion during 2000–2001, a decrease of 30% compared with 1999–2000. Sales revenue decreased from \$8.9 billion in 1999–2000 to \$6.6 (US\$3.4) billion. Other revenues mainly represent proceeds from the sale of non-current assets.

Steel despatches from flat and coated operations were 5.34 million tonnes, 2% higher than the 1999–2000 despatches of 5.24 million tonnes. Australian domestic despatches were the same at 2.09 million tonnes while export despatches were 7% higher at 2.36 million tonnes. Despatches from New Zealand Steel were down 11% at 0.54 million tonnes and despatches from other overseas plants were the same at 0.36 million tonnes.

Net profit for 2000–2001 was \$323 (US\$165) million, compared with a profit of \$310 million in 1999–2000. The 2000–2001 result included a charge to profit of \$29 (US\$15) million after tax for organisation restructuring costs and provisions. The 1999–2000 result included a charge to profit of \$156 million after tax comprising a loss on the sale of the US west coast steel businesses, and restructuring costs and provisions, partly offset by a tax benefit from the restatement of deferred tax balances.

Excluding significant items, the 2000–2001 profit was \$352 (US\$180) million, a decrease of \$114 (US\$58) million compared with the previous year. Lower international prices, lower sales volumes of coated products to the Australian market and the impact of industrial action at Port Kembla steelworks (New South Wales) all contributed unfavourably in 2000–2001. These were partly offset by the favourable effect of the lower A\$/US\$ exchange rate, improved operating performance from the Asian businesses, one-off benefits realised on the spin-out of OneSteel Ltd and additional tax benefits in respect of losses from New Zealand operations for which no deduction has previously been recognised.

REVIEW OF BUSINESS PERFORMANCE CONTINUED

Depreciation and amortisation expense was \$321 (US\$164) million, a decrease of \$173 (US\$88) million compared with 1999–2000. The lower charge for 2000–2001 reflects the effect of depreciation in the previous period on assets which have been spun-out, sold or closed.

Services

This segment includes assets disposed of during the corresponding period, namely Engineering and Information Technology.

Group and unallocated Items

This category represents corporate activities, including Group Treasury operations. The result for 2000–2001 was a loss of \$1 011 (US\$515) million which included significant items that resulted in a net loss of \$334 (US\$170) million after tax, comprising a provision for financial obligations to banks and other provisions related to the decision to cease further investment in HBI Venezuela, a net loss due to non-deductibility of financing costs as a consequence of an income tax audit, and organisation restructuring costs and provisions, partly offset by a credit to profit for changes in accounting policy for defined benefit pension plans. The result for 1999–2000 included significant items that resulted in a net credit to profit of \$264 million after tax comprising tax benefits from finalisation of funding arrangements at Beenup (Western Australia) and HBI Western Australia, partly offset by losses from the restatement of deferred tax balances, and restructuring costs and provisions.

Excluding significant items, the result for 2000–2001 was a loss of \$677 (US\$345) million, compared with a loss of \$364 million in 1999–2000. This was mainly due to losses of \$448 (US\$228) million after tax from external foreign currency hedging compared with losses of \$178 million after tax in the corresponding period mainly reflecting the lower value of the Australian dollar relative to the US dollar for currency hedging contracts settled during the year. The result also included implementation costs associated with the introduction of Shared Business Services.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL PERIOD ENDED (a)

	Notes	BHP Billiton Limited Group			
		30 June 2001 \$m	30 June 2001 US\$m (b)	30 June 2000 \$m	31 May 1999 \$m
Revenue from ordinary activities					
Sales revenue		20 698	10 556	21 506	19 229
Other revenue		1 781	908	2 147	2 692
	3	22 479	11 464	23 653	21 921
<i>deduct</i>					
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs		16 978	8 659	18 958	21 116
Depreciation and amortisation		2 402	1 225	2 292	2 218
Borrowing costs		553	282	723	732
		2 546	1 298	1 680	(2 145)
Share of net profit of associated entities accounted for using the equity method		29	15	30	
Profit/(loss) from ordinary activities before income tax		2 575	1 313	1 710	(2 145)
<i>deduct</i>					
Income tax expense attributable to ordinary activities		1 066	543	117	164
Net profit/(loss)	3	1 509	770	1 593	(2 309)
<i>add/(deduct)</i>					
Outside equity interests in net profit/(loss)		498	254	34	(3)
Net profit/(loss) attributable to members of BHP Billiton Limited		2 007	1 024	1 627	(2 312)
Adjustment for initial adoption of revised accounting standard AASB 1016: Accounting for Investments in Associates				250	
Net exchange fluctuations on translation of foreign currency net assets and foreign currency interest bearing liabilities net of tax		636	324	173	(212)
Total direct adjustments to equity attributable to members of BHP Billiton Limited		636	324	423	(212)
Total changes in equity other than those resulting from transactions with owners		2 643	1 348	2 050	(2 524)
Basic earnings per share (c)	5	54.4	27.7	44.5	(64.6)
Diluted earnings per share (c)	5	53.9	27.5	44.1	(64.6)

(a) 30 June 2001 refers to the year ended 30 June 2001, 30 June 2000 refers to the thirteen months ended 30 June 2000 and 31 May 1999 refers to the year ended 31 May 1999. Refer note 1 (Change of financial year).

(b) Translation of amounts from Australian dollars into US dollars has been made throughout the consolidated financial statements for the convenience of the reader at the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York on Friday 29 June 2001, at US\$0.5100 = A\$1.

(c) Comparative data has been adjusted to take into account the bonus issue of shares effective 29 June 2001.

STATEMENT OF FINANCIAL POSITION

AS AT

	Notes	BHP Billiton Limited Group		
		30 June 2001 \$m	30 June 2001 US\$m	30 June 2000 \$m
Assets				
Current assets				
Cash assets		1 183	603	1 039
Receivables		2 615	1 334	2 629
Other financial assets		163	83	4
Inventories		1 621	827	2 138
Other assets		219	112	271
Total current assets		5 801	2 959	6 081
Non-current assets				
Receivables		228	116	189
Investments accounted for using the equity method		498	254	632
Other financial assets		257	131	499
Inventories		146	74	159
Property, plant and equipment		20 014	10 207	19 586
Intangible assets		2	1	130
Deferred tax assets		906	462	1 268
Other assets		1 335	681	800
Total non-current assets		23 386	11 926	23 263
Total assets	3	29 187	14 885	29 344
Liabilities				
Current liabilities				
Payables		2 813	1 435	2 566
Interest bearing liabilities		973	496	2 530
Tax liabilities		217	111	192
Other provisions		1 608	820	1 535
Total current liabilities		5 611	2 862	6 823
Non-current liabilities				
Payables		34	18	45
Interest bearing liabilities		6 257	3 191	5 868
Deferred tax liabilities		1 844	940	1 896
Other provisions		4 193	2 138	3 707
Total non-current liabilities		12 328	6 287	11 516
Total liabilities		17 939	9 149	18 339
Net assets	3	11 248	5 736	11 005
Equity				
Contributed equity		6 013	3 067	7 093
Reserves		1 061	541	419
Retained profits		3 930	2 004	2 841
Total BHP Billiton Limited interest		11 004	5 612	10 353
Outside equity interest		244	124	652
Total equity		11 248	5 736	11 005

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED (a)

	BHP Billiton Limited Group			
	30 June 2001	30 June 2001	30 June 2000	31 May 1999
	\$m	US\$m	\$m	\$m
Cash flows related to operating activities				
Receipts from customers	21 114	10 768	20 959	19 331
Payments to suppliers, employees, etc.	(14 821)	(7 558)	(16 210)	(15 248)
Dividends received	81	41	46	20
Interest received	117	60	91	221
Borrowing costs	(650)	(332)	(916)	(1 087)
HBI Venezuela guarantee payment	(615)	(314)		
Proceeds from gas sales contract price re-negotiation	-	-	231	708
Other	388	198	337	348
Operating cash flows before income tax	5 614	2 863	4 538	4 293
Income taxes paid	(609)	(310)	(600)	(708)
Net operating cash flows	5 005	2 553	3 938	3 585
Cash flows related to investing activities				
Purchases of property, plant and equipment	(1 966)	(1 003)	(1 102)	(2 608)
Exploration expenditure	(518)	(264)	(373)	(643)
Purchases of investments	(686)	(350)	(438)	(137)
Purchases of, or increased investment in, controlled entities and joint venture interests net of their cash	(704)	(359)	-	(75)
Investing outflows	(3 874)	(1 976)	(1 913)	(3 463)
Proceeds from sale of property, plant and equipment	163	83	741	548
Proceeds from sale or redemption of investments	456	233	242	361
Proceeds from OneSteel spin-out	660	337		
Proceeds from sale or partial sale of controlled entities and joint venture interests net of their cash	407	207	698	1 290
Net investing cash flows	(2 188)	(1 116)	(232)	(1 264)
Cash flows related to financing activities				
Proceeds from ordinary share issues, etc.	142	72	275	149
Proceeds from interest bearing liabilities	769	392	1 658	2 018
Repayment of interest bearing liabilities	(2 683)	(1 368)	(4 867)	(4 310)
Dividends paid	(926)	(472)	(498)	(520)
Other	-	-	82	(14)
Net financing cash flows	(2 698)	(1 376)	(3 350)	(2 677)
Net increase/(decrease) in cash and cash equivalents	119	61	356	(356)
Cash and cash equivalents at beginning of period	937	478	573	949
Effect of foreign currency exchange rate changes on cash and cash equivalents	55	27	8	(20)
Cash and cash equivalents at end of period	1 111	566	937	573

(a) 30 June 2001 refers to the year ended 30 June 2001, 30 June 2000 refers to the thirteen months ended 30 June 2000 and 31 May 1999 refers to the year ended 31 May 1999. Refer note 1 (Change of financial year).

NOTES TO FINANCIAL STATEMENTS

1 Accounting principles and policies

The concise financial statements have been derived from the statutory financial statements of the BHP Billiton Limited Group for the year ended 30 June 2001 provided in the 'BHP Billiton Limited Annual Report 2001 - Description of business and financial statements'. The statutory financial statements comply with the requirements of the Corporations Act, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. A full description of the accounting policies adopted by the BHP Billiton Limited Group is provided in the 'BHP Billiton Limited Annual Report 2001 - Description of business and financial statements'.

The policies are consistent with those applied in the prior two years except for:

(a) New accounting standards

Revised Australian Accounting Standard AASB 1041: Revaluation of Non-Current Assets was first adopted from 1 July 2000 resulting in property plant and equipment and other financial assets previously carried at valuation being reverted to a cost basis of measurement. For the purposes of transitioning to a cost basis, the existing revalued carrying amounts at 1 July 2000 were deemed to be their cost. The change in policy had no impact on net profit attributable to members of BHP Billiton Limited.

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018: Statement of Financial Performance, AASB 1034: Financial Report Presentation and Disclosures and the new AASB 1040: Statement of Financial Position.

(b) Change in accounting policies

As a consequence of the Dual Listed Companies (DLC) structure established between BHP Billiton Limited and BHP Billiton Plc which became effective on 29 June 2001, certain accounting policies of the BHP Billiton Limited Group have been changed to align with the policies of the BHP Billiton Plc Group in order to minimise differences between results reported in the UK and Australian jurisdictions. The following revised accounting policies have been adopted for the year ended 30 June 2001:

Provision for restoration and rehabilitation

In prior periods the BHP Billiton Limited Group had recognised provisions for restoration on a progressive basis over the life of each asset. At 30 June 2001, this policy was changed such that a provision for the full cost expected to be incurred at the end of the life of each asset on a discounted to net present value basis is recognised at the beginning of each project and capitalised as part of the cost of the asset. The capitalised cost is amortised over the life of the operation and the annual increase in the net present value of the provision for the expected cost is included in expenses from ordinary activities. The effect of this policy change for the year ended 30 June 2001 has been an increase in net profit attributable to members of BHP Billiton Limited of \$55 million.

Pension costs

In prior periods the BHP Billiton Limited Group had recognised an expense for defined benefit pensions when contributions were paid. At 30 June 2001, this policy was changed such that expenses for defined benefit pension schemes are recognised so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice. A pension obligation or asset is consequently recognised in the Statement of Financial Position to the extent that the contributions paid either lag or precede expense recognition. The effect of this policy change for the year ended 30 June 2001 has been to recognise a net asset representing the fund surplus and an increase in net profit attributable to members of BHP Billiton Limited of \$265 million.

NOTES TO FINANCIAL STATEMENTS CONTINUED

1 Accounting principles and policies continued

Employee compensation costs

In prior periods, the BHP Billiton Limited Group included in the Statement of Financial Performance the cost associated with Performance Rights at the time they were exercised. Costs associated with the exercise of options were not included in the Statement of Financial Performance. At 30 June 2001, this policy was changed such that the estimated cost to the BHP Billiton Limited Group on exercise of Performance Rights and, where applicable, the cost associated with the discount on issue of options are included in the Statement of Financial Performance over the likely vesting period, with a corresponding provision for employee benefits being included in the Statement of Financial Position. At the time the Performance Rights or options vest, an adjustment is made to reflect the actual cost to the BHP Billiton Limited Group. The effect of this policy change for the year ended 30 June 2001 has been a decrease in net profit attributable to members of BHP Billiton Limited of \$5 million.

In future periods, compensation cost (ie. 25% uplift) associated with the BHP Billiton Group Bonus Equity Share Plan will be included in the Statement of Financial Performance over the period of entitlement or part thereof.

A reconciliation of the major differences between the financial statements prepared under Australian generally accepted accounting principles (GAAP) and those applicable under US GAAP is included in note 7.

Change of company name

During the financial year ended 30 June 2001, The Broken Hill Proprietary Company Limited changed its name to BHP Limited with effect from 30 October 2000, and subsequently to BHP Billiton Limited with effect from 29 June 2001.

Change of financial year

Directors announced on 17 December 1999 that the financial year end for the BHP Billiton Limited Group would change from 31 May to 30 June with effect from 30 June 2000.

Pursuant to Section 340 of the Corporations Act ('the Act'), the Australian Securities and Investments Commission granted relief from the requirements of paragraph 323D(2)(b) of the Act permitting BHP Billiton Limited to change its financial period end and adopt a transitional thirteen month financial year of 1 June 1999 to 30 June 2000.

The current financial period covered by these financial statements is the year ended 30 June 2001. All references to 30 June 2000 is to the thirteen months ended 30 June 2000 and references to 31 May 1999 are to the year ended 31 May 1999.

NOTES TO FINANCIAL STATEMENTS CONTINUED

2 Significant items		Gross \$m	Tax \$m	Net \$m	Net US\$m
Individually significant items (before outside equity interests) included within BHP Billiton Limited Group net profit/(loss):					
2001					
Asset write-offs and provisions:					
Minerals:	Ok Tedi (a)	(832)	28	(804)	(410)
	HBI Venezuela (b)	(356)	-	(356)	(182)
Group and unallocated items:	HBI Venezuela (b)	(672)	217	(455)	(232)
		(1 860)	245	(1 615)	(824)
Asset sales:					
Minerals:	Equalisation of Queensland Coal interests (c)	248	-	248	127
		248	-	248	127
Restructuring costs and provisions:					
Minerals		(32)	9	(23)	(12)
Steel		(44)	15	(29)	(15)
Group and unallocated items		(14)	4	(10)	(5)
		(90)	28	(62)	(32)
Merger costs:					
Group and unallocated items		(71)	-	(71)	(36)
		(71)	-	(71)	(36)
Changes in accounting policy:					
Minerals:	Restoration and rehabilitation	(78)	24	(54)	(28)
Petroleum:	Restoration and rehabilitation	156	(47)	109	56
Group and unallocated items:	Pension plans	379	(114)	265	135
		457	(137)	320	163
Income tax audit – Non-deductibility of financing costs:					
Group and unallocated items (d)			(63)	(63)	(32)
			(63)	(63)	(32)
Total		(1 316)	73	(1 243)	(634)
2000					
Asset write-offs:					
Minerals		(1 138)	344	(794)	
		(1 138)	344	(794)	
Asset sales: (e)					
Petroleum		150	(1)	149	
Steel		(227)	4	(223)	
Services (f)		63	-	63	
		(14)	3	(11)	
Restructuring costs and provisions:					
Minerals		(9)	1	(8)	
Petroleum		(21)	7	(14)	
Steel		(31)	11	(20)	
Group and unallocated items		(42)	16	(26)	
		(103)	35	(68)	
Restatement of deferred tax balances as a consequence of the change in tax rate from 36% to 34% and 30% applicable from 1 July 2000 and 2001 respectively:					
Minerals			58	58	
Petroleum			36	36	
Steel			87	87	
Net unallocated interest			(3)	(3)	
Group and unallocated items			(12)	(12)	
			166	166	

NOTES TO FINANCIAL STATEMENTS CONTINUED

2 Significant items continued	Gross \$m	Tax \$m	Net \$m
2000 continued			
Tax benefit on finalisation of funding arrangements:			
Group and unallocated items		302	302
		302	302
Total	(1 255)	850	(405)
1999			
Asset write-downs and provisions:			
Minerals	(3 395)	399	(2 996)
Petroleum	(210)	-	(210)
Steel	(105)	-	(105)
Group and unallocated items	(13)	-	(13)
	(3 723)	399	(3 324)
Asset sales: (g)			
Minerals	343	4	347
Petroleum	120	1	121
Services (f)	172	1	173
Group and unallocated items	9	(3)	6
	644	3	647
Total	(3 079)	402	(2 677)

- (a) The BHP Billiton Limited Group has been negotiating with the other shareholders on the terms and conditions related to its exit from Ok Tedi. Based upon the status of these negotiations it has been decided to write-off the BHP Billiton Limited Group's share of Ok Tedi's net assets (\$286 million after tax and outside equity interests). The Minerals segment results include an \$804 million write-off reflecting 100% of the net assets of Ok Tedi which is prior to deducting outside equity interests of \$518 million. From 1 July 2001 no BHP Billiton Limited Group profit from Ok Tedi will be recognised except to the extent that actual dividends are received by the BHP Billiton Limited Group.
- (b) The BHP Billiton Limited Group announced on 29 March 2001 that it would cease further investment in HBI Venezuela. Based upon changing operating and market conditions, the plant is not expected to meet the operational and financial performance targets necessary to justify further investment in the project. The total loss on the write-off of the equity investment in HBI Venezuela and the establishment of provisions to cover related financial obligations to banks and other associated costs is \$811 million, of which \$356 million is reported in the Minerals segment and \$455 million is reported in Group and unallocated items.
- (c) The net profit from the equalisation of Queensland Coal interests of \$248 million includes proceeds of \$760 million which have been included in other revenue.
- (d) Refer page 58 Income tax audit - Non-deductibility of financing costs.
- (e) Net profit from asset sales in 2000 includes proceeds of: Petroleum \$327 million, Steel \$437 million and Services \$81 million, which have been included in other revenue.
- (f) Following various asset sales and an internal reorganisation, the Services segment ceased to exist from 1 July 2000. As a consequence, Transport and Logistics is reported in the Steel segment and remaining services businesses including Shared Business Services, Insurances and Corporate Services are reported in Group and unallocated items. Comparative data has been adjusted accordingly. 2000 and 1999 data for Services mainly relates to businesses now sold.
- (g) Net profit from asset sales in 1999 includes proceeds of: Minerals \$619 million, Petroleum \$276 million and Services \$489 million, which has been included in other revenue.

NOTES TO FINANCIAL STATEMENTS CONTINUED

2 Significant items continued

Other significant matters related to the BHP Billiton Limited Group for the year ended 30 June 2001:

– **BHP Billiton DLC structure**

On 29 June 2001 BHP Billiton Limited (formerly BHP Limited) and BHP Billiton Plc (formerly Billiton Plc) established a DLC structure to create a diversified global resources group, called BHP Billiton (the BHP Billiton Group). Under the terms of the DLC structure one existing BHP Billiton Plc share had an economic interest equivalent to 0.4842 existing BHP Billiton Limited shares and to ensure that the economic and voting interest of each BHP Billiton Limited and BHP Billiton Plc share was equivalent there was a bonus issue to BHP Billiton Limited shareholders at a ratio of 1.0651 additional BHP Billiton Limited shares for each existing share held on 5 July 2001. The bonus share issue was effective 29 June 2001. The DLC structure means that the existing primary listings on the Australian and London stock exchanges will be maintained, as will the secondary listing on the Johannesburg Stock Exchange, (and an American Depository Receipt listing on the New York Stock Exchange). For details of the DLC structure and a proforma Statement of Financial Position for the BHP Billiton Group at 30 June 2001, refer to note 8.

– **Income tax audit - Non-deductibility of financing costs**

As a consequence of an income tax audit conducted by the Australian Taxation Office (ATO), an amount of \$229 million has been subject to litigation.

The dispute concerns the deductibility of financing costs paid to General Electric Company in connection with the BHP Billiton Limited Group's acquisition of the Utah Group in the early 1980's. On 23 November 1999, the Federal Court ruled in favour of the BHP Billiton Limited Group. On 18 October 2000, the Full Bench of the Federal Court ruled in favour of the ATO. The BHP Billiton Limited Group sought leave to appeal to the High Court of Australia (High Court) and the hearing occurred on 10 August 2001. The High Court has refused the BHP Billiton Limited Group leave to appeal on the general question of deductibility but did allow leave to appeal on the question of whether the ATO had the power to amend the 1985 assessment.

An amount of \$79 million was paid in 1992 and up to 2001 was accounted for as a non-current asset. At 30 June 2001, the accounts have been adjusted to include a tax expense of \$63 million relating to refusal of the High Court to grant leave to appeal on the deductibility of financing costs.

A non-current asset of \$16 million will be carried forward.

In July 2001, the outstanding balance of \$150 million was paid. This amount will also be recorded as a non-current asset

in the 2002 fiscal year. This together with the \$16 million carried forward from the 2001 year represents the tax and interest in dispute in relation to the 1985 assessment.

– **Separation of steel businesses**

The long products steel business was spun-out with effect from 31 October 2000 via OneSteel Limited. As a result of this transaction, contributed equity was reduced by \$1 244 million, including spin-out costs of \$57 million. This reflected a capital reduction of \$0.66 per share. The spin-out resulted in BHP Billiton Limited shareholders being issued one OneSteel Limited share for every four shares held in BHP Billiton Limited.

On 19 March 2001, BHP Billiton Limited announced its intention to publicly list the remaining steel businesses. The listing is expected to be completed no later than the end of financial year 2002.

– **Acquisition of Dia Met Minerals Ltd**

The BHP Billiton Limited Group successfully acquired 98.2% of the Class A subordinate voting shares (Class A shares) and 84.9% of the Class B multiple voting shares (Class B shares) of Dia Met Minerals Ltd (Dia Met) for C\$21.00 per share. This price valued Dia Met at \$813 million. The BHP Billiton Limited Group intends to exercise its statutory right to compulsorily acquire the remaining Class A shares. Following this, the BHP Billiton Limited Group may consider a "going private" transaction to acquire the remaining Class B shares. Dia Met is a publicly traded Canadian minerals exploration and development company with a primary focus on diamonds. Dia Met's principal asset is a 29% joint venture interest in the Ekati™ diamond mine.

– **Acquisition of QCT Resources Ltd (QCT)**

The BHP Billiton Limited Group and Mitsubishi jointly acquired QCT during the current year. In December 2000, a range of integration activities were announced including the closure of South Blackwater (Queensland) underground mining by December 2001 and the combining of the South Blackwater open cut operations with the existing Central Queensland Coal Associates (CQCA) Blackwater mine. Subsequently in June 2001, the BHP Billiton Limited Group and Mitsubishi completed an agreement to move to equal ownership of their interests in the CQCA and Gregory joint ventures. The agreement resulted in the transfer of 18.285% of the CQCA joint venture and 30.325% of the Gregory joint venture from the BHP Billiton Limited Group to Mitsubishi for \$1 005 million, comprising net proceeds from the sale of approximately \$760 million together with \$245 million mainly representing the assumption by Mitsubishi of the BHP Billiton Limited Group's share of debt held by QCT. The BHP Billiton Limited Group and Mitsubishi will jointly operate the assets and market the coal produced.

NOTES TO FINANCIAL STATEMENTS CONTINUED

2 Significant items continued

– Share buy-back program

BHP Billiton Limited announced an on-market share buy-back program for the purchase of up to 90 million shares (approximately five percent of issued capital). Following implementation of the DLC structure, the buy-back program has been adjusted such that the number of shares to be purchased

continues to represent approximately five percent of issued capital. The buy-back program is expected to be completed by September 2002, depending on market circumstances.

As at 30 June 2001, there have been no shares bought back under this program.

3 Segment results							
Industry classification (a)	External Revenue	Intersegment Revenue	Depreciation and amortisation	Net profit (b)	Segment assets Gross	Segment assets Net	Capital expenditure (c)
2001 \$m							
Minerals	10 159	332	1 050	624	13 403	8 788	1 001
Petroleum	6 354	41	1 007	1 916	8 137	4 230	854
Steel (d)	6 054	618	321	323	5 223	3 543	116
Net unallocated interest	93			(343)			
Group and unallocated items (e)	(181)	85	24	(1 011)	2 424	(5 313)	73
BHP Billiton Limited Group	22 479	1 076	2 402	1 509	29 187	11 248	2 044
2001 US\$m							
Minerals	5 181	169	535	318	6 835	4 482	510
Petroleum	3 240	21	514	977	4 150	2 157	436
Steel (d)	3 088	315	164	165	2 664	1 807	59
Net unallocated interest	47			(175)			
Group and unallocated items (e)	(92)	44	12	(515)	1 236	(2 710)	37
BHP Billiton Limited Group	11 464	549	1 225	770	14 885	5 736	1 042
2000 \$m							
Minerals	8 830	365	889	480	11 917	8 291	362
Petroleum	5 625	14	883	1 319	7 409	3 434	488
Steel (d)	9 081	517	494	310	7 937	5 739	158
Services	279	213	11	99	7	(5)	8
Net unallocated interest	65			(515)			
Group and unallocated items (e)	(227)	9	15	(100)	2 074	(6 454)	33
BHP Billiton Limited Group	23 653	1 118	2 292	1 593	29 344	11 005	1 049
1999 \$m							
Minerals	9 730	498	944	(1 971)	13 187	8 845	1 316
Petroleum	3 203	10	702	232	7 829	4 209	760
Steel (d)	8 590	416	519	186	9 017	6 605	360
Services	802	418	36	241	214	(10)	15
Net unallocated interest	111			(449)			
Group and unallocated items (e)	(515)	34	17	(548)	1 240	(10 288)	9
BHP Billiton Limited Group	21 921	1 376	2 218	(2 309)	31 487	9 361	2 460

(a) Following various asset sales and an internal reorganisation, the Services segment ceased to exist from 1 July 2000. As a consequence, Transport and Logistics is reported in the Steel segment and remaining services businesses including Shared Business Services, Insurances and Corporate Services are reported in Group and unallocated items. Comparative data has been adjusted accordingly. 2000 and 1999 data for Services mainly relates to businesses now sold.

(b) Net profit is before deducting outside equity interests.

(c) Excluding capitalised borrowing costs and capitalised exploration.

(d) Includes the OneSteel Limited business, which was spun-out in October 2000.

(e) Includes consolidation adjustments.

NOTES TO FINANCIAL STATEMENTS CONTINUED

3 Segment results continued				
Geographical classification	External Revenue	Intersegment Revenue	Net profit (a)	Gross segment assets
2001 \$m				
Australia (b)	14 988	276	1 958	14 982
North America	1 840	-	224	4 460
United Kingdom	1 120	-	289	2 364
South America	2 021	-	(25)	4 865
Papua New Guinea	952	-	(778)	322
New Zealand	534	-	77	607
South East Asia	702	-	70	931
Other countries	229	-	37	656
	22 386	276	1 852	29 187
Net unallocated interest	93		(343)	
BHP Billiton Limited Group	22 479	276	1 509	29 187
2001 US\$m				
Australia	7 644	141	999	7 641
North America	938	-	114	2 275
United Kingdom	571	-	148	1 206
South America	1 031	-	(13)	2 481
Papua New Guinea	486	-	(397)	164
New Zealand	272	-	39	309
South East Asia	358	-	36	475
Other countries	117	-	19	334
	11 417	141	945	14 885
Net unallocated interest	47		(175)	
BHP Billiton Limited Group	11 464	141	770	14 885
2000 \$m				
Australia (b)	14 573	263	1 143	17 358
North America	3 299	-	73	2 531
United Kingdom	968	-	226	2 225
South America	1 956	1	458	4 150
Papua New Guinea	1 161	-	71	979
New Zealand	682	-	59	602
South East Asia	704	-	22	1 030
Other countries	245	-	56	469
	23 588	264	2 108	29 344
Net unallocated interest	65		(515)	
BHP Billiton Limited Group	23 653	264	1 593	29 344

NOTES TO FINANCIAL STATEMENTS CONTINUED

3 Segment results continued				
Geographical classification continued	External Revenue	Intersegment Revenue	Net profit (a)	Gross segment assets
1999 \$m				
Australia (b)	14 043	199	837	19 225
North America	2 889	27	(2 249)	3 135
United Kingdom	594	5	(4)	2 575
South America	1 558	33	99	3 394
Papua New Guinea	859	-	65	1 100
New Zealand	836	1	(90)	697
South East Asia	786	-	41	930
Other countries	245	-	(559)	431
	21 810	265	(1 860)	31 487
Net unallocated interest	111		(449)	
BHP Billiton Limited Group	21 921	265	(2 309)	31 487

(a) Net profit is before deducting outside equity interests.

(b) Export sales amounting to \$7 892 million, \$6 489 million and \$6 284 million are included in Australian revenue from ordinary activities for 2001, 2000 and 1999 respectively. Approximately 28%, 27% and 27% of such sales during 2001, 2000 and 1999 respectively, were to customers in Japan.

4 Dividends	BHP Billiton Limited Group			
	2001 \$m	2001 US\$m	2000 \$m	1999 \$m
Dividends declared (a)	466	238	463	453
Dividends paid (b)	446	227	440	1 868
	912	465	903	2 321
<i>deduct</i> Dividends or equivalent paid or payable on shares held by controlled entities and on buy-back of those shares (Beswick Group) (b)				1 437
<i>deduct</i> Bonus Share Plan participation - equivalent dividends				884
Dividends paid or payable to members of BHP Billiton Limited (c)	912	465	903	766

Dividends per share for 2001 were 51.0 cents (26.0 cents fully franked at a rate of 30% and 25.0 cents unfranked) (2000 - 51.0 cents unfranked; 1999 - 51.0 cents fully franked at 36%).

Dividends per share as declared and adjusted for the bonus issue for 2001 were 24.7 cents (12.6 cents fully franked at a rate of 30% and 12.1 cents unfranked) (2000 - 24.7 cents unfranked; 1999 - 24.7 cents fully franked at 36%).

Dividends per American Depositary Share (ADS) (as declared) for 2001 were 102.0 cents (2000 - 102.0 cents; 1999 - 102.0 cents).

Dividends per ADS as declared and adjusted for the bonus issue for 2001 were 49.4 cents (2000 - 49.4 cents; 1999 - 49.4 cents).

For the periods indicated, each ADS represents two ordinary shares.

(a) Dividends declared at 30 June 2001 were paid on 2 July 2001.

(b) 338 066 630 shares held by the Beswick Group were bought back and cancelled by BHP Billiton Limited in March 1999. The buy-back consideration included a dividend component of \$1 352 million.

(c) The BHP Billiton Limited Group had a franking account balance of \$225 million at 34 cents in the dollar, available at 30 June 2001 before the 2 July 2001 dividend payment. An amount of \$466 million at 30 cents in the dollar was used as a result of the 2 July 2001 dividend payment. (The BHP Billiton Limited Group had a franking account balance of \$24 million at 36 cents in the dollar available at 30 June 2000). It is anticipated that dividends payable in the following year will be fully franked.

NOTES TO FINANCIAL STATEMENTS CONTINUED

5 Earnings per share	BHP Billiton Limited Group			
	2001	2001 US	2000 (a)	1999 (a)
Basic earnings per share (cents) (b) (c) (d)	54.4	27.7	44.5	(64.6)
Diluted earnings per share (cents) (e) (f)	53.9	27.5	44.1	(64.6)
Weighted average number of fully paid shares (millions)				
– basic earnings per share	3 689		3 653	3 577
– diluted earnings per share (e) (g)	3 767		3 753	3 577

(a) Comparative data has been restated to take into account the bonus share issue effective 29 June 2001.

(b) Based on net profit/(loss) attributable to members of BHP Billiton Limited.

(c) Basic earnings per American Depositary Share (ADS) (cents)
For the periods indicated, each ADS represents two ordinary shares.

108.8 55.4 89.0 (129.2)

(d) Basic earnings per share would have been 45.8 cents (2000 - 41.2 cents; 1999 - (66.9) cents) had the revised accounting policies for restoration and rehabilitation provisions, pension costs and employee compensation costs been applied throughout the respective financial periods. Refer note 1 (Change in accounting policies).

(e) Performance Rights are excluded and would only be included when an issue of new shares is expected to occur.

(f) Diluted earnings per share would have been 45.5 cents (2000 - 40.8 cents; 1999 - (66.9) cents) had the revised accounting policies for restoration and rehabilitation provision, pension costs and employee compensation costs been applied throughout the respective financial periods. Refer note 1 (Change in accounting policies).

(g) The weighted average diluted number of ordinary shares has been adjusted for the effect of Employee Share Plan options and Executive Share Scheme partly paid shares to the extent they were dilutive at balance date.

NOTES TO FINANCIAL STATEMENTS CONTINUED

6 Contingent liabilities	BHP Billiton Limited Group		
	2001 \$m	2001 US\$m	2000 \$m
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from			
Joint ventures - unsecured	105	54	490
Other - unsecured (a)	1 259	642	1 699
Total contingent liabilities	1 364	696	2 189

(a) Includes loan and performance guarantees.

Ok Tedi Mining Limited

On 7 June 1996, Rex Dagi, Alex Maun and the remaining plaintiffs to Victorian Supreme Court proceedings against BHP Billiton Limited and Ok Tedi Mining Limited (OTML) entered into a Settlement Agreement. The principal terms of the agreement included the following:

- Each of the parties was required to make public announcements in terms agreed among the parties, to commit to the obligations in the public announcements and to support a process to reach agreement with the Lower Ok Tedi village communities.
- BHP Billiton Limited agreed to commit as soon as practicable to the implementation of any tailings option recommended by the independent enquiry or review to be conducted by the State (the tailings option) providing BHP Billiton Limited bona fide considers that option to be economically and technically feasible.
- BHP Billiton Limited's commitment to implement the tailings option is subject to unexpected or unforeseen circumstances which may render the tailings option economically or technically unfeasible; and obtaining all necessary leases and other approvals required from the landowners and the State.

On 11 April 2000, two legal actions were commenced in the Victorian Supreme Court against OTML and BHP Billiton Limited. Rex Dagi is plaintiff in the first action, Gabia Gagirimabu is plaintiff in the second action on his own behalf and on behalf of the remaining parties to the Settlement Agreement. Both actions seek specific performance of the Settlement Agreement and/or an injunction to require the implementation by BHP Billiton Limited and OTML of a tailings pipeline and storage system and damages. However, the plaintiffs have not identified a tailings retention scheme which could feasibly be implemented. On 27 August 2001 the Supreme Court of Victoria heard an application relating to procedural matters in this action. OTML and BHP Billiton Limited continue to assert that there has been no breach of the Settlement Agreement and will continue to defend the claims.

Bass Strait - Longford

Following the 25 September 1998 explosion and fire at Longford, a class action was commenced in the Federal Court of Australia on behalf of Victorian gas consumers and employees stood down by employers during the shortage of gas following those events (together the "Applicants"). On 12 April 2001 the action was transferred to the Supreme Court of Victoria. The action is against Esso Australia Resources Pty Ltd (Esso). Esso has joined the State of Victoria and various entities associated with the State (together the "State Entities") as cross respondents alleging certain failures and contributory negligence on the part of the State Entities. In turn, the State Entities have joined BHP Petroleum (Bass Strait) Pty Ltd ("BHPP") as a further cross respondent, with the effect that if any sums are recovered against the State Entities they will seek contribution from BHPP. The Applicants' alleged losses have not been quantified.

In addition to BHPP's potential liability to the State Entities under the cross claims, in certain circumstances Esso, as operator, is entitled to be indemnified by BHPP as a 50% joint venturer for certain categories of legal costs incurred by Esso and payments made in satisfaction of claims.

In turn, BHPP may have rights against Esso as operator in relation to losses and costs BHPP has incurred in relation to the incident, including under the cross claim by the State Entities. It is unlikely that these issues will be resolved in the near term.

DLC structure

Refer note 8 for information about cross guarantees which result from the DLC structure established between BHP Billiton Limited and BHP Billiton Plc.

Income tax audit

Refer note 2 (Non-deductibility of financing costs).

NOTES TO FINANCIAL STATEMENTS CONTINUED

7 US generally accepted accounting principles disclosures continued	BHP Billiton Limited Group		
	2001 \$m	2001 US\$m	2000 \$m
Equity attributable to members			
Total equity	11 248	5 736	11 005
<i>deduct</i> outside equity interests	244	124	652
Total equity attributable to members	11 004	5 612	10 353
Estimated adjustment required to accord with US GAAP: <i>add/(deduct)</i>			
- Purchase business combination of BHP Billiton Plc	22 741	11 598	
- Purchase business combination costs	71	36	
- Fair value accounting for derivatives	(872)	(444)	
- Asset write-downs	341	174	391
- Pension plans	(164)	(84)	72
- Property, plant and equipment revaluations	(135)	(69)	(145)
- Employee Share Plan loans	(98)	(50)	(145)
- Employee benefits	74	38	31
- Exploration, evaluation and development expenditures	(64)	(33)	(58)
- Profit on asset sales	(28)	(14)	(30)
- Start-up costs	(11)	(6)	(16)
- Consolidation of Tubemakers of Australia Ltd	-	-	93
Total adjustment	21 855	11 146	193
Estimated total equity attributable to members according to US GAAP	32 859	16 758	10 546

NOTES TO FINANCIAL STATEMENTS CONTINUED

8 BHP Billiton Group disclosures

On 29 June 2001 BHP Billiton Limited (formerly BHP Limited) and BHP Billiton Plc (formerly Billiton Plc) established a DLC structure to create a diversified global resources group, called BHP Billiton (the BHP Billiton Group). Under the terms of the DLC structure one existing BHP Billiton Plc share had an economic interest equivalent to 0.4842 existing BHP Billiton Limited shares and to ensure that the economic and voting interest of each BHP Billiton Limited and BHP Billiton Plc share was equivalent there was a bonus issue to BHP Billiton Limited shareholders at a ratio of 1.0651 additional BHP Billiton Limited shares for each existing share held on 5 July 2001. The bonus share issue was effective 29 June 2001.

A full description of the DLC structure (including management, equalisation of economic and voting rights, dividends, voting, matching actions, cross guarantees, takeover provisions and the bonus issue) is provided in the 'BHP Billiton Limited Annual Report 2001 – Description of Business and Financial Statements', commencing on page 100.

To comply with Australian regulatory requirements, the BHP Billiton Group has produced an Annual Report for BHP Billiton Limited, from which these concise financial statements have been derived.

The BHP Billiton Limited Annual Report complies with Australian generally accepted accounting principles (GAAP) and is presented in Australian dollars. Australian regulatory requirements do not allow the inclusion this year, in the BHP Billiton Limited Annual Report, of a Statement of Financial Performance, a Statement of Cash Flows or notes to the financial statements for the BHP Billiton Group. Australian regulatory requirements allow the inclusion of a proforma Statement of Financial Position for the BHP Billiton Group as provided in this note.

The proforma Statement of Financial Position combines the accounts of the BHP Billiton Limited Group and the BHP Billiton Plc Group, each being prepared in accordance with Australian GAAP. It is prepared on the historical cost basis, with no fair value adjustments.

To comply with UK regulatory requirements, the BHP Billiton Group has also produced an Annual Report for BHP Billiton Plc.

The BHP Billiton Plc Annual Report complies with UK GAAP and reports the 2001 financial year and the corresponding period on a combined BHP Billiton Group basis. It includes financial statements (and associated notes to the financial statements) presented in US dollars. The BHP Billiton Plc Annual Report is available from the BHP Billiton Share Department or, alternatively, can be viewed on the BHP Billiton web site (www.bhpbilliton.com).

To comply with US Securities Exchange Commission filing requirements, consolidated financial information of the BHP Billiton Group has been prepared in accordance with US GAAP. Refer note 7.

Proforma Statement of Financial Position	30 June 2001 \$m
Assets	
Current assets	
Cash assets	2 542
Receivables	4 445
Other financial assets	424
Inventories	3 329
Other assets	257
Total current assets	10 997
Non-current assets	
Receivables	766
Investments accounted for using the equity method	2 445
Other financial assets	1 088
Inventories	211
Property, plant and equipment	36 889
Intangible assets	1 203
Deferred tax assets	1 155
Other assets	1 349
Total non-current assets	45 106
Total assets	56 103
Liabilities	
Current liabilities	
Payables	4 510
Interest bearing liabilities	3 567
Tax liabilities	593
Other provisions	2 069
Total current liabilities	10 739
Non-current liabilities	
Payables	283
Interest bearing liabilities	12 905
Deferred tax liabilities	2 950
Other provisions	5 012
Total non-current liabilities	21 150
Total liabilities	31 889
Net assets	24 214
Equity	
Contributed equity	9 480
Reserves	1 061
Retained profits	12 911
Total Group interest	23 452
Outside equity interest	762
Total equity	24 214

DIRECTORS' DECLARATION

The Directors of BHP Billiton Limited declare that in their opinion, the accompanying concise financial report of BHP Billiton Limited and the BHP Billiton Limited Group for the year ended 30 June 2001 set out on pages 51 to 66:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with the Accounting Standard AASB 1039 'Concise Financial Reports'.

In our 2001 full financial report we declared that:

- (a) the financial statements and notes comply with the Corporations Act and:
 - (i) comply with applicable Accounting Standards and Corporations Regulations; and
 - (ii) give a true and fair view of the financial position of BHP Billiton Limited and the BHP Billiton Limited Group as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
- (b) in the Directors' opinion:
 - (i) the financial statements and notes are in accordance with the Corporations Act; and
 - (ii) there are reasonable grounds to believe that BHP Billiton Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors



D R Argus - Director

Dated at Melbourne this 3rd day of September 2001

INDEPENDENT AUDIT REPORT

To the members of BHP Billiton Limited

Scope

We have audited the concise financial report of BHP Billiton Limited for the financial year ended 30 June 2001 as set out on pages 46 to 47 and 51 to 67, in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian and United States Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of BHP Billiton Limited for the financial year ended 30 June 2001. Our audit report on the full financial report was signed on 3 September 2001 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which are not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB1039 'Concise Financial Reports'.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

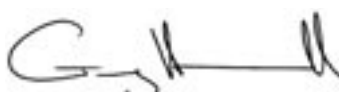
In our opinion, the concise financial report of BHP Billiton Limited complies with Australian Accounting Standard AASB1039 'Concise Financial Reports'.

Reconciliation to United States Accounting Principles

Accounting practices used by BHP Billiton Limited in preparing the concise financial report conform with accounting principles generally accepted in Australia but do not conform with accounting principles generally accepted in the United States. A description of these differences and a complete reconciliation of consolidated net profit and total equity to accounting principles generally accepted in the United States is included in 'BHP Billiton Limited Annual Report 2001 - Description of Business and Financial Statements'.



Arthur Andersen - Chartered Accountants



G A Hounsell - Partner

Dated at Melbourne this 3rd day of September 2001

SHAREHOLDER INFORMATION

Twenty largest shareholders as at 29 August 2001

BHP Billiton Limited			BHP Billiton Plc		
	Number of fully paid shares	% of issued capital		Number of fully paid shares	% of issued capital
1 Chase Manhattan Nominees Ltd	512 577 230	13.83 %	1 Chase Nominees Limited	178 565 090	7.70 %
2 National Nominees Ltd	493 985 874	13.33 %	2 Standard Bank Nominees Tvl Pty Ltd	163 150 117	7.03 %
3 Westpac Custodian Nominees Ltd	377 274 059	10.18 %	3 Industrial Development Corporation	101 855 875	4.39 %
4 Citicorp Nominees Pty Ltd	131 801 237	3.56 %	4 Nedcor Bank Nominees Limited	90 815 796	3.92 %
5 ANZ Nominees Ltd	94 736 543	2.56 %	5 CMB Nominees Pty Limited	70 627 058	3.05 %
6 Australian Mutual Provident Society	80 984 594	2.19 %	6 Deutsche Bank Aktiengesellschaft London PROP0001 a/c	55 875 035	2.41 %
7 Perpetual Trustee Australia Group	80 504 728	2.17 %	7 Stanlife Nominees Limited	51 914 712	2.24 %
8 Commonwealth Custodial Services Ltd	67 968 195	1.83 %	8 First National Nominees Pty Limited	49 874 025	2.15 %
9 Queensland Investment Corporation	67 193 951	1.81 %	9 HSBC Global Custody Nominee UK Limited 357206 a/c	45 350 012	1.96 %
10 Perpetual Trustees Nominees Ltd	57 516 025	1.55 %	10 Chase Nominees Limited LEND a/c	38 245 118	1.65 %
11 MLC Group of Companies	50 373 753	1.36 %	11 Morgan Grenfell & Co Limited PROP0001 a/c	36 910 138	1.59 %
12 HSBC Australia Nominees Pty Ltd	39 096 155	1.06 %	12 ABSA Nominees Pty Limited	32 836 417	1.42 %
13 Citicorp Nominees Pty Ltd (CFS WSLE Imputation Fund A/C)	32 863 701	0.89 %	13 RBSTB Nominees Limited	29 924 101	1.29 %
14 Japan Resources Limited	26 109 060	0.70 %	14 Vidacos Nominees Limited BCGN02 a/c	29 780 842	1.28 %
15 Bankers Trust Life Limited	25 214 534	0.68 %	15 Vidacos Nominees Limited	29 702 071	1.28 %
16 Mercantile Mutual Life Insurance Company	22 789 736	0.62 %	16 Old Mutual Nominees Pty Limited	28 591 383	1.23 %
17 Mitsubishi Development Pty Ltd	20 582 629	0.56 %	17 Nortrust Nomoinees Limited SLEND a/c	24 842 267	1.07 %
18 AXA Trustees Ltd	19 737 360	0.53 %	18 Prudential Client HSBC GIS Nominee UK Limited	22 282 174	0.96 %
19 NRMA Group	19 420 672	0.52 %	19 The Bank of New York Nominees Limited	21 096 704	0.91 %
20 Commonwealth Superannuation Board of Trustees	16 774 519	0.46 %	20 Co-Operative Insurance Society Limited	19 727 660	0.85 %
	2 237 504 555	60.39 %		1 121 966 595	48.38 %

Substantial shareholders

BHP Billiton Limited

The Capital Group Companies, Inc. by notice dated 14 December 2000, advised that it had an interest in 300 878 439 shares. This figure has been adjusted to recognise the bonus issue effective from 29 June 2001. This is the only notification current at 29 August 2001.

BHP Billiton Plc

As at 29 August 2001, the BHP Billiton Plc's register of substantial shareholdings showed the following interests in 3% or more of BHP Billiton Plc's shares

	Ordinary shares	%
Rembrandt Group Ltd	189 975 198	8.19%
Sankorp Ltd, a subsidiary of Sanlam	67 730 192	2.92%
Concert party total	257 705 390	11.11%
Industrial Development Corporation of South Africa Ltd	115 200 000	4.97%
Deutsche Bank AG	99 482 143	4.29%

We have been notified that Sankorp Ltd and Rembrandt Group Ltd are parties to a agreement to which Section 204 of the UK Companies Act 1985 applies.

SHAREHOLDER INFORMATION CONTINUED

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares		Shareholders		Shares	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Registered address								
Australia	268 923	93.4%	3 595 263 201	96.9%	47	0.5%	131 751	0.0%
New Zealand	8 831	3.1%	42 986 079	1.2%	7	0.1%	19 591	0.0%
United Kingdom	5 630	2.0%	29 193 750	0.8%	5 961	61.2%	1 712 751 646	73.9%
United States	1 834	0.6%	4 723 041	0.1%	61	0.6%	324 132	0.0%
South Africa	52	0.0%	156 563	0.0%	3 267	33.6%	602 419 274	26.0%
Other	2 508	0.9%	37 849 530	1.0%	387	4.0%	3 501 491	0.1%
Total	287 778	100.0%	3 710 172 164	100.0%	9 730	100.0%	2 319 147 885	100.0%

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares		Shareholders		Shares	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Size of holding								
1 – 500*	65 987	22.9%	17 466 293	0.5%	3 146	32.3%	811 710	0.0%
501 – 1 000	48 600	16.9%	37 280 564	1.0%	1 507	15.5%	1 245 588	0.0%
1 001 – 5 000	123 048	42.8%	301 871 708	8.2%	2 793	28.7%	6 960 001	0.3%
5 001 – 10 000	26 574	9.2%	195 941 041	5.3%	665	6.8%	4 803 021	0.2%
10 001 – 25 000	16 741	5.8%	252 468 124	6.8%	439	4.5%	7 109 885	0.3%
25 001 – 50 000	4 101	1.4%	141 035 128	3.8%	231	2.4%	8 313 245	0.4%
50 001 – 100 000	1 649	0.6%	112 348 019	3.0%	215	2.2%	15 744 292	0.7%
100 001 – 250 000	721	0.3%	105 198 006	2.8%	218	2.3%	34 066 874	1.5%
250 001 – 500 000	165	0.1%	56 928 095	1.5%	135	1.4%	48 569 335	2.1%
500 001 – 1 000 000	61	0.0%	44 255 267	1.2%	145	1.5%	105 831 391	4.6%
1 000 001 and over	131	0.0%	2 445 379 919	65.9%	236	2.4%	2 085 692 543	89.9%
Total	287 778	100.0%	3 710 172 164	100.0%	9 730	100.0%	2 319 147 885	100.0%

*In relation to BHP Billiton Limited, the number of shareholders holding less than a marketable parcel (\$500) based on the market price of \$9.65 as at 29 August 2001 was 8 858.

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares		Shareholders		Shares	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Classification of holder								
Corporate	36 396	12.6%	2 680 553 241	72.2%	2 930	30.1%	2 303 278 722	99.3%
Private	251 382	87.4%	1 029 618 923	27.8%	6 800	69.9%	15 869 163	0.7%
Total	287 778	100.0%	3 710 172 164	100.0%	9 730	100.0%	2 319 147 885	100.0%

FINANCIAL SUMMARY 1997-2001

This financial summary includes selected information restated on a 12 months to June basis, which has not been subject to audit review.

All data presented has been prepared in accordance with Australian generally accepted accounting principles and accounting policies applying to each period, except for the year

ended 30 June 1997 which has been restated to reflect adoption of AASB 1033: Presentation and Disclosure of Financial Instruments. Adoption of this standard resulted in certain redeemable preference shares which exhibited the characteristics of liabilities being reclassified from outside equity interest to interest bearing liabilities.

Statement of Financial Performance items	Years ended 30 June					
	2001 \$m	2001 US\$m	2000 \$m	1999 \$m	1998 \$m	1997 \$m
Sales to Australian customers						
- from Australia	5 456	2 783	6 397	5 920	6 738	6 820
- from outside Australia	-	-	104	88	44	95
Sales to non-Australian customers						
- from Australia	7 993	4 076	6 092	6 395	6 844	5 957
- from outside Australia	7 249	3 697	7 279	6 884	7 659	7 957
Total sales revenue	20 698	10 556	19 872	19 287	21 285	20 829
Other revenue	1 781	908	2 052	2 732	1 907	2 961
Total revenue from ordinary activities	22 479	11 464	21 924	22 019	23 192	23 790
Depreciation and amortisation	2 402	1 225	2 140	2 203	2 218	1 979
Borrowing costs	553	282	664	718	752	784
Share of net profit of associated entities accounted for using the equity method	29	15	29			
Income tax expense	1 066	543	51	148	541	856
Net profit/(loss)	1 509	770	1 549	(2 302)	(1 638)	510
Outside equity interests in net profit/(loss)	498	254	32	3	47	(52)
Net profit/(loss) attributable to members of BHP Billiton Limited	2 007	1 024	1 581	(2 299)	(1 591)	458
Statement of Financial Performance statistics						
Basic earnings per share (a)(b)	\$0.544	\$0.277	\$0.433	\$(0.642)	\$(0.454)	\$0.135
Dividends or equivalent as declared (\$ million)	912	465	903	884	866	836
Dividends per fully paid share						
- as declared	\$0.510	\$0.260	\$0.510	\$0.510	\$0.510	\$0.510
- as declared adjusted for bonus issue	\$0.247	\$0.126	\$0.247	\$0.247	\$0.247	\$0.247
Dividend cover (times) (c)	2.2		1.8	(d)	(d)	0.5
Dividend payout ratio (times) (e)	0.5		0.6	(d)	(d)	1.8
EBIT interest cover (times) (f)	5.4		3.3	(d)	(d)	2.3
EBITDA Interest cover (times) (g)	9.6		6.5	0.9	1.9	4.4

(a) Based on net profit/(loss) attributable to members of BHP Billiton Limited divided by the weighted average number of fully paid shares.

(b) Comparative data has been restated to take into account the bonus share issue effective 29 June 2001.

(c) Calculated on dividends or equivalent declared.

(d) Figure is negative.

(e) Calculated as dividends per share (adjusted for bonus issue) divided by earnings per share (adjusted for bonus issue).

(f) Calculated as net profit/(loss) before borrowing costs and income tax expense divided by total borrowing costs.

(g) Calculated as net profit/(loss) before borrowing costs, income tax, depreciation and amortisation expense, divided by total borrowing costs.

FINANCIAL SUMMARY 1997-2001 CONTINUED

Statement of Financial Position items	2001 \$m	2001 US\$m	As at 30 June		1998 \$m	1997 \$m
			2000 \$m	1999 \$m		
Current assets	5 801	2 959	6 081	6 017	7 415	7 889
Non-current investments and other financial assets	755	385	1 131	893	853	770
Property, plant and equipment	20 014	10 207	19 586	22 404	26 413	26 061
Intangible assets	2	1	130	175	387	389
Other non-current assets	2 615	1 333	2 416	2 311	2 610	1 659
Total assets	29 187	14 885	29 344	31 800	37 678	36 768
<i>deduct</i>						
Current liabilities	5 611	2 862	6 823	6 089	5 895	6 889
Non-current interest bearing liabilities	6 257	3 191	5 868	10 060	13 452	11 126
Other non-current liabilities	6 071	3 096	5 648	5 866	5 634	4 981
Net assets	11 248	5 736	11 005	9 785	12 697	13 772
Equity						
- attributable to members of BHP Billiton Limited	11 004	5 612	10 353	9 090	11 860	12 952
- attributable to outside equity interests	244	124	652	695	837	820
Total equity	11 248	5 736	11 005	9 785	12 697	13 772
Statement of Financial Position statistics						
Total interest bearing liabilities (a) as a percentage of total interest bearing liabilities and equity	38.3%		42.7%	53.7%	53.2%	48.8%
Net tangible assets attributable to members of BHP Billiton Limited (b)	\$2.97	\$1.51	\$2.77	\$2.43	\$3.16	\$3.51
Return on shareholders' equity at year end	18.2%		15.3%	(25.3)%	(13.4)%	3.5%
Return on capital (c)	9.9%		9.9%	(7.5)%	(4.1)%	3.9%
US GAAP statistics						
Profit/(loss) from ordinary activities after income tax, attributable to members of BHP Billiton Limited						
- per fully paid share (b) (d) (e)	\$0.437	\$0.223	\$0.350	\$(1.070)	\$(0.415)	\$0.320
- per ADS (b) (d) (f)	\$0.874	\$0.446	\$0.699	\$(2.141)	\$(0.829)	\$0.641
Dividends provided for or paid						
- per fully paid share (d) (g)	\$0.510	\$0.260	\$0.510	\$0.510	\$0.510	\$0.510
- per ADS (d) (f) (g)	\$1.020	\$0.520	\$1.020	\$1.020	\$1.020	\$1.020
Return on equity	4.9%		5.8%	(17.8)%	(5.5)%	4.0%

- (a) Calculated as total interest bearing liabilities (current and non-current), excluding finance leases, bank overdrafts and other, divided by total interest bearing liabilities and net assets.
- (b) Comparative data has been restated to take into account the bonus share issue effective 29 June 2001.
- (c) Calculated as net profit/(loss) before Net unallocated interest as a percentage of average capital employed, where average capital employed equals total equity plus current and non-current interest bearing liabilities (long term loans, redeemable preference shares and non-recourse finance).

- (d) All amounts are adjusted for stock dividends during the periods indicated.
- (e) Based on the weighted average number of shares on issue calculated as if the shares held by the Beswick Group in years ended 30 June 1996 to 1998 were treated as Treasury stock. There were no shares held by the Beswick Group at 30 June 1999, 2000 and 2001.
- (f) Assumes that, for the periods indicated, each ADS represents two ordinary shares.
- (g) As declared.

INFORMATION FOR INVESTORS

Information for shareholders this year is provided in the 'Annual Report' (the Concise Report) and 'Description of business and financial statements'.

The 'Annual Report' contains key information about BHP Billiton Limited in a concise format. The 'Description of business and financial statements' provides more detailed financial data and information on the BHP Billiton Limited Group's performance.

Note: The concise financial statements and its notes cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the BHP Billiton Limited Group as the full financial statements. Both reports will be provided to shareholders on request and free of charge.

Dividend payment by direct credit to a bank, building society or credit union account

Australian shareholders may have cash dividends paid directly into any bank, building society or credit union account in Australia. New Zealand shareholders may have cash dividends paid directly into a New Zealand bank account. UK shareholders may have cash dividends paid directly into a UK bank or building society account.

To ensure the timely advice of direct credit details, please refer to the financial calendar for future dividend announcement dates.

Note: Shareholders in New Zealand and the UK who do not provide direct credit details will receive an Australian currency cheque.

Payment in US dollars

Shareholders with a registered address in the US or Canada will receive a US currency cheque.

Change of address

It is important that shareholders notify BHP Billiton Limited in writing immediately if there is a change to their registered address. For the protection of shareholders, instructions to BHP Billiton Limited need to be in writing and show the Securityholder Reference Number (SRN). Shareholders on the CHESSE sub-register should forward the change of address advice to the sponsoring broker quoting the Holder Identification Number (HIN).

Stock exchange listings

BHP Billiton Limited is listed on stock exchanges in Australia, UK (London), Germany (Frankfurt), New Zealand (Wellington), Switzerland (Zurich) and the US (New York).

The trustees and dividend-paying banks for internationally registered shares are shown on the inside back cover of this report.

Annual General Meeting

The Annual General Meeting of BHP Billiton Limited will be held at 9.30 am (Australian Eastern Standard Time) on Tuesday 16 October 2001 at the Melbourne Convention Centre.

Details of the business of the meeting are contained in the separate Notice of Meeting enclosed with this Annual Report. Shareholders may access proceedings via the website at www.bhpbilliton.com

Enquiries

Shareholders who wish to contact BHP Billiton Limited on any matter relating to their share or ADR holdings are invited to telephone the appropriate shareholder services office listed on the inside back cover of this report.

Shareholders can also access their current shareholding details through the Share Department link on BHP Billiton's website (you will need your Securityholder Reference Number or Holder Identification Number): www.bhpbilliton.com

Shareholders in Australia may telephone 1300 656 780 or write to: Manager Share Department
BHP Billiton Limited
GPO Box 782
Melbourne Victoria 3001
Australia

Access your Annual Report on the web

BHP Billiton Limited offers an alternative for shareholders in respect of their Annual Report and email notification of major BHP Billiton Limited announcements.

By providing an email address through our website on the Internet, shareholders will be notified by an email with a direct link to the Annual Report. Notification of other major BHP Billiton Limited announcements will also be emailed to you.

Email Notification

Enter BHP Billiton Limited's website www.bhpbilliton.com and click onto 'Investor Services' and follow the Share Department links until you are requested to enter your Securityholder Reference Number or Holder Identification Number, family or company name and postcode or country code. This sign-on requirement is a security access validation prior to entering your email address and you will receive notification of the availability of future Annual Reports and other BHP Billiton Limited announcements by email.

Financial calendar*

2001

16 October

Annual General Meeting of BHP Billiton Limited – Melbourne.

19 October

Annual General Meeting of BHP Billiton Plc – London.

November

Announcement of results for quarter ending 30 September 2001.
Announcement of dividend payable in December.

2002

February

Announcement of results for half year ending 31 December 2001.

May

Announcement of results for quarter ending 31 March 2002.
Announcement of dividend payable in June or July.

August

Preliminary announcement of result for the 2002 financial year.

September

Mailing of Annual Report.

* Timing of events can be subject to change.