

# FINANCIAL STATEMENTS

<b>Contents</b>	<b>Page</b>
<b>Consolidated profit and loss account</b>	<b>80</b>
<b>Consolidated statement of total recognised gains and losses</b>	<b>81</b>
<b>Balance sheets</b>	<b>82</b>
<b>Consolidated statement of cash flows</b>	<b>83</b>

<b>Notes to the financial statements</b>	<b>Page</b>		<b>Page</b>
Dual Listed Companies structure and basis of preparation of financial statements	84	20 Financial instruments	118
Accounting policies	85	21 Provisions for liabilities and charges	128
DLC merger of BHP Billiton Plc and BHP Billiton Limited	90	22 Called up share capital and contributed equity	129
1 Principal subsidiaries, joint ventures, associates and joint arrangements	94	23 Reserves	132
2 Exceptional items	97	24 Reconciliation of movements in shareholders' funds	133
3 Analysis by business segment	100	25 Significant acquisitions and disposals	134
4 Analysis by geographical segment	102	26 Commitments	136
5 Reconciliation of net operating assets	103	27 Pensions and post-retirement medical benefits	137
6 Net operating costs	103	28 Reconciliation of operating profit to net cash inflow from operating activities	139
7 Net interest and similar items (payable)/receivable	104	29 Returns on investments and servicing of finance	140
8 Employees	104	30 Capital expenditure and financial investment	140
9 Taxation	105	31 Acquisitions and disposals	140
10 Dividends	108	32 Management of liquid resources	140
11 Earnings per share	109	33 Financing	141
12 Intangible fixed assets	110	34 Analysis of movements in net debt	141
13 Tangible fixed assets	111	35 Related parties	141
14 Fixed asset investments	112	36 Contingent liabilities	142
15 Stocks	113		
16 Debtors	113	<b>Supplementary notes to the financial statements (unaudited)</b>	
17 Current asset investments	114	37 Pro forma financial information under US generally accepted accounting principles	144
18 Creditors - amounts falling due within one year	115	38 Supplementary oil and gas information	146
19 Creditors - amounts falling due after more than one year	116		

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2001

US\$ million	Note	2001			2000 (restated)		
		excluding exceptional items	exceptional items (note 2)	including exceptional items	excluding exceptional items	exceptional items (note 2)	including exceptional items
<b>Turnover (including share of joint ventures and associates) (a)</b>	3,4	<b>19 079</b>	-	<b>19 079</b>	18 402	-	18 402
Less: share of joint ventures' and associates' turnover included above	3,4	(1 290)	-	(1 290)	(987)	-	(987)
Group turnover	3,4	17 789	-	17 789	17 415	-	17 415
Net operating costs (b)	6	(14 551)	(60)	(14 611)	(14 777)	(695)	(15 472)
Group operating profit		3 238	(60)	3 178	2 638	(695)	1 943
Share of operating profit/(loss) of joint ventures and associates (c)		281	(634)	(353)	239	-	239
Operating profit (including share of profit of joint ventures and associates) (a)	3,4	3 519	(694)	2 825	2 877	(695)	2 182
Income from other fixed asset investments		32	-	32	20	-	20
Profit on sale of fixed assets		72	128	200	124	-	124
Profit/(loss) on sale of subsidiaries		4	-	4	6	(4)	2
Loss on termination of operations (d)		-	(430)	(430)	-	-	-
Costs of fundamental reorganisation		-	-	-	-	(61)	(61)
Merger transaction costs		-	(92)	(92)	-	-	-
Net interest and similar items payable							
– Group	7	(407)	(6)	(413)	(446)	-	(446)
– Joint ventures and associates	7	(63)	-	(63)	(43)	-	(43)
<b>Profit before taxation</b>	3,4	<b>3 157</b>	<b>(1 094)</b>	<b>2 063</b>	2 538	(760)	1 778
Taxation	9	(943)	132	(811)	(774)	523	(251)
<b>Profit after taxation</b>		<b>2 214</b>	<b>(962)</b>	<b>1 252</b>	1 764	(237)	1 527
Equity minority interests		(25)	302	277	(21)	-	(21)
<b>Profit for the financial year (attributable profit)</b>		<b>2 189</b>	<b>(660)</b>	<b>1 529</b>	1 743	(237)	1 506
Dividends to shareholders	10	(754)	-	(754)	(788)	-	(788)
<b>Retained profit for the financial year</b>	23	<b>1 435</b>	<b>(660)</b>	<b>775</b>	955	(237)	718
<b>Earnings per ordinary share (basic) (US cents) (e)</b>	11	<b>36.8</b>	<b>(11.1)</b>	<b>25.7</b>	30.4	(4.1)	26.3
<b>Earnings per ordinary share (diluted) (US cents) (e)</b>	11	<b>36.6</b>	<b>(11.0)</b>	<b>25.6</b>	30.4	(4.1)	26.3
<b>Dividend per ordinary share</b>							
<b>BHP Billiton Plc (US cents)</b>				<b>12.00</b>			11.25
<b>BHP Billiton Limited (Australian cents)</b>							
– excluding bonus issue				<b>51.00</b>			51.00
– including bonus issue				<b>24.70</b>			24.70

(a) Included within turnover and operating profit is US\$1 146 million and US\$88 million respectively attributable to acquisitions.

(b) In the year ended 30 June 2000, the exceptional operating costs relate to the impairment of HBI Western Australia.

(c) In the year ended 30 June 2001, the exceptional share of operating losses of joint ventures and associates includes the impairment of HBI Venezuela (US\$520m).

(d) The exceptional loss on termination of operations relates to the Ok Tedi copper mine.

(e) Earnings per ordinary share is stated after taking account of the BHP Billiton Limited bonus issue.

All amounts are derived from continuing activities.

# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 2001

US\$ million	Group		Joint ventures and associates		Total	
	2001	2000 (restated)	2001	2000 (restated)	2001	2000 (restated)
Attributable profit for the financial year	1 964	1 367	(435)	139	1 529	1 506
Exchange gains and losses on foreign currency net investments	(712)	(469)	(51)	(33)	(763)	(502)
<b>Total recognised gains for the year</b>	<b>1 252</b>	<b>898</b>	<b>(486)</b>	<b>106</b>	<b>766</b>	<b>1 004</b>
Prior year adjustment arising from the implementation of revised accounting policies (refer Accounting Policies):						
- Deferred taxation	(171)		(29)		(200)	
- Exploration	(15)		-		(15)	
<b>Total recognised gains since last annual report</b>	<b>1 066</b>		<b>(515)</b>		<b>551</b>	

Included in joint ventures' and associates' attributable loss is a profit of US\$12 million (2000 - US\$nil) relating to associated companies. Exchange gains and losses on foreign currency net investments include net exchange losses on foreign currency borrowings, which hedge overseas investments, of US\$90 million (2000 - US\$95 million) and associated tax relief of US\$40 million (2000 - US\$40 million).

# BALANCE SHEETS

AT 30 JUNE 2001

US\$ million	Notes	Group		BHP Billiton Plc	
		2001	2000 (restated)	2001	2000
<b>Fixed assets</b>					
Intangible assets – goodwill	12	95	127	-	-
– negative goodwill	12	(36)	(53)	-	-
		59	74	-	-
Tangible assets	13	19 231	18 580	-	-
Investments – subsidiaries		-	-	3 030	2 374
– joint ventures	14	1 011	531	-	-
– share of gross assets		2 816	1 962	-	-
– share of gross liabilities		(1 805)	(1 431)	-	-
– associates	14	58	-	-	-
– loans to joint ventures and associates and other investments	14	911	573	-	-
		21 270	19 758	3 030	2 374
<b>Current assets</b>					
Stocks	15	1 675	1 819	-	-
Debtors	16	3 583	4 216	164	75
Investments	17	215	111	-	-
Cash including money market deposits	34	1 285	1 431	47	20
		6 758	7 577	211	95
Creditors - amounts falling due within one year	18	(5 235)	(5 577)	(364)	(167)
<b>Net current assets</b>		1 523	2 000	(153)	(72)
<b>Total assets less current liabilities</b>		22 793	21 758	2 877	2 302
Creditors - amounts falling due after more than one year	19	(7 054)	(5 703)	-	-
Provisions for liabilities and charges	21	(4 019)	(4 342)	-	-
<b>Net assets</b>		11 720	11 713	2 877	2 302
Equity minority interests		(380)	(677)	-	-
<b>Attributable net assets</b>		11 340	11 036	2 877	2 302
<b>Capital and reserves</b>					
Called up share capital - BHP Billiton Plc	22	1 160	1 069	1 160	1 069
Share premium account	23	592	27	592	27
Contributed equity - BHP Billiton Limited	22	3 039	4 260	-	-
Profit and loss account	23	6 549	5 798	1 125	1 206
Interest in shares of BHP Billiton Plc	24	-	(118)	-	-
<b>Equity shareholders' funds</b>	24	11 340	11 036	2 877	2 302

The financial statements were approved by the Board of Directors on 3 September 2001 and signed on its behalf by:



**D R Argus**  
Chairman

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

US\$ million	Notes	2001	2000
Net cash inflow from Group operating activities	28	4 805	4 444
Dividends received from joint ventures and associates		154	127
Returns on investments and servicing of finance	29	(535)	(662)
Taxation		(587)	(532)
Capital expenditure and financial investment	30	(3 427)	(1 270)
Acquisitions and disposals	31	(1 636)	349
OneSteel spin-out		344	-
Other acquisitions and disposals		(1 980)	349
Equity dividends paid		(751)	(361)
Net cash flow before management of liquid resources and financing		(1 977)	2 095
Management of liquid resources	32	242	(252)
Financing	33	1 763	(1 517)
Issue of shares/Share Repurchase Scheme		937	132
Debt		826	(1 649)
Increase in cash in the year	34	28	326

US\$ million	Note	2001	2000
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash in the year		28	326
Cash flow from debt and lease financing	33	(826)	1 649
Cash flow from management of liquid resources	32	(242)	252
Change in net debt arising from cash flows		(1 040)	2 227
Money market deposits and loans acquired with subsidiaries	34	(665)	-
Other non-cash movements	34	-	7
Exchange adjustments	34	476	489
Movement in net debt		(1 229)	2 723
Net debt at start of year	34	(6 092)	(8 815)
Net debt at end of year	34	(7 321)	(6 092)

## DUAL LISTED COMPANIES STRUCTURE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### Merger terms

On 29 June 2001, BHP Billiton Plc (previously known as Billiton Plc), a UK listed company, and BHP Billiton Limited (previously known as BHP Limited), an Australian listed company, entered into a Dual Listed Companies ("DLC") merger. This was effected by contractual arrangements between the companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Plc and its subsidiaries ("the BHP Billiton Plc Group") and BHP Billiton Limited ("the BHP Billiton Limited Group") and its subsidiaries operate together as a single economic entity ("the BHP Billiton Group"), with neither assuming a dominant role. Under the arrangements:

- The shareholders of BHP Billiton Plc and BHP Billiton Limited have a common economic interest in both groups;
- The shareholders of BHP Billiton Plc and BHP Billiton Limited take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two companies effectively vote on a joint basis;
- BHP Billiton Plc and BHP Billiton Limited have a common Board of Directors, a unified management structure and joint objectives;
- Dividends and capital distributions made by the two companies will be equalised; and
- BHP Billiton Plc and BHP Billiton Limited each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Plc or BHP Billiton Limited, any change of ownership of any existing shares or securities of BHP Billiton Plc or BHP Billiton Limited, the issue of any shares or securities or any payment by way of consideration, save for the issue by each company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated. In addition, to achieve a position where the economic and voting interests of one share in BHP Billiton Plc and one share in BHP Billiton Limited were identical, BHP Billiton Limited made a bonus issue of ordinary shares to the holders of its ordinary shares.

### Treatment of the DLC merger for accounting purposes

Under UK generally accepted accounting principles ("GAAP"), the DLC merger is treated as a business combination because a single economic entity has been formed, even though BHP Billiton Plc and BHP Billiton Limited remain separate legal entities. The consolidated financial statements of BHP Billiton Plc therefore include BHP Billiton Limited and its subsidiary companies in accordance with the requirements of s227(5) of the Companies Act 1985. The effect of this is illustrated on pages 91 to 93. The DLC merger is accounted for using the merger method of accounting in accordance with UK accounting standards. The nature of the DLC merger has resulted in the inclusion of amounts attributable to the shareholders of both BHP Billiton Plc and BHP Billiton Limited in capital and reserves on the balance sheet, and in attributable profit.

In view of the proximity of the implementation of the DLC merger to the financial year-end and the relative insignificance of any business activity between 29 June 2001 and 30 June 2001, the accounting date of the DLC merger has for practical purposes been taken as 30 June 2001. The whole of the profit for the financial year ended 30 June 2001 of each of BHP Billiton Plc and BHP Billiton Limited is therefore deemed to relate to the period prior to the date of the DLC merger.

# ACCOUNTING POLICIES

## Basis of accounting

The financial statements have been prepared under the historical cost convention (except as discussed under tangible fixed assets below) and in accordance with applicable UK accounting standards and the Companies Act 1985, except as described in the accounting policies note on foreign currencies and in note 24 which explains the accounting treatment of the cost of purchasing BHP Billiton Plc's own shares. The financial statements reflect the results and financial position of subsidiaries included in the BHP Billiton Group. Where the BHP Billiton Group's interest is less than 100 per cent, the share attributable to outside shareholders is reflected in minority interests. The accounting policies have been applied consistently in the preparation of the financial statements.

BHP Billiton Plc is exempt from presenting its own profit and loss account in accordance with s230 of the Companies Act 1985.

## Application of new accounting standards and changes in accounting policies

The BHP Billiton Group has adopted the transitional provisions of FRS 17 "Retirement Benefits" and has adopted FRS 18 "Accounting Policies" and FRS 19 "Deferred Tax".

In accordance with the transitional arrangements under FRS 17 full implementation is only required for accounting periods ending after 22 June 2003. For the current year additional disclosures only are required prior to full implementation. The adoption of FRS 18 has had no effect on the results for the period nor on amounts disclosed for prior periods.

FRS 19 has been adopted in advance of the mandatory effective date.

Prior to the adoption of FRS 19, the BHP Billiton Group provided for deferred taxation under the liability method, only to the extent that it was probable that a liability or asset would crystallise in the foreseeable future. As a result of FRS 19, the new policy requires that full provision is made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date, except as follows:

- Tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute all past earnings exists;
- Deferred tax is not recognised on the difference between book values and fair values of non-monetary assets arising on acquisitions or purchased fixed assets which have subsequently been revalued unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised; and
- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

The adoption of the new policy, which has been made by way of an adjustment to previously published results as though the revised policy had always been applied by the BHP Billiton Group, has had the following effects:

- The previously published figures at 1 July 1999 and 30 June 2000 have been restated as follows:
  - (a) the deferred tax balance has been increased by US\$288 million and US\$294 million respectively;
  - (b) goodwill has been increased by US\$111 million and US\$104 million respectively due to increased deferred tax liabilities at the date of acquisition of businesses; and
  - (c) investments in joint ventures have been reduced by US\$49 million and US\$49 million respectively, resulting in decreases in shareholders' funds of US\$189 million and US\$200 million after taking account of minority interests of US\$37 million and US\$39 million respectively;
- Operating profit and the tax on profit on ordinary activities for the year ended 30 June 2000 have been decreased by US\$7 million and increased by US\$6 million respectively from the figures previously published, resulting in profit after tax and attributable profit being decreased by US\$13 million and US\$11 million respectively; and
- The impact on the current year operating profit and charge for taxation is a decrease of US\$7 million and of US\$58 million respectively, resulting in attributable profit being increased by US\$37 million, of which US\$18 million is attributable to exceptional items.

Prior to the DLC merger, the BHP Billiton Plc Group's and the BHP Billiton Limited Group's policies for the treatment of exploration expenditure had a similar effect in that expenditure incurred prior to a project being considered to be commercially viable was effectively recognised as a charge in the profit and loss account. Expenditure incurred subsequent to the determination of commercial viability was capitalised. However, the BHP Billiton Plc Group's policy required the write back of provisions established prior to a project being considered to be commercially viable, to the extent that the relevant costs were recoverable, whereas the BHP Billiton Limited Group was precluded under Australian GAAP from capitalising expenditure previously charged to the profit and loss account.

In order to conform policies, it has been agreed that the BHP Billiton Plc Group's policy be changed to preclude the write back of costs previously recognised in the profit and loss account when a project is considered to have become commercially viable.

## ACCOUNTING POLICIES CONTINUED

The adoption of the new policy, which has been made by way of an adjustment to previously published results as though the revised policy had always been applied by the BHP Billiton Group, has had the following effects:

- Exploration expenditure at 1 July 1999 and 30 June 2000 and shareholders' funds as at those dates have been reduced by US\$15 million; and
- The current year exploration cost has been reduced by US\$5 million and profit after tax has been increased by the same amount.

### Acquisitions, disposals and goodwill

On the acquisition of a business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets and liabilities acquired. On the acquisition of a minority interest in a subsidiary undertaking, attributable fair values are recognised in relation to the relevant proportion of the identifiable separable assets and liabilities of the subsidiary undertaking.

Mineral and petroleum reserves and resources which can be reliably valued are recognised in the assessment of fair values on acquisition. Other potential reserves and resources and mineral rights, for which, in the Directors' opinion, values cannot reliably be determined, are not recognised. Accordingly, goodwill arising on acquisition may include amounts in respect of these items.

Where the fair value of the consideration paid exceeds the fair value of the separable assets and liabilities acquired, the difference is treated as purchased goodwill and any excess of the fair value of the separable assets and liabilities acquired over the fair value of the consideration given is treated as negative goodwill. Goodwill arising on acquisitions since 1 July 1998 is capitalised and amortised over its estimated useful economic life. Currently, useful economic lives range between 17 and 20 years. Negative goodwill arising on acquisitions since 1 July 1998 is capitalised and released to the profit and loss account in proportion to the realisation of the non-monetary assets acquired. Goodwill and negative goodwill arising on acquisitions prior to 1 July 1998 remain set off against reserves.

On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging or crediting the amount of any related goodwill previously taken directly to reserves or the unamortised balance of any goodwill capitalised.

### Joint ventures

A joint venture is an entity in which the BHP Billiton Group holds a long-term interest and which is jointly controlled by the BHP Billiton Group and one or more other venturers under a contractual arrangement. The results of joint ventures are accounted for using the gross equity method of accounting.

### Joint arrangements

The BHP Billiton Group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The financial statements of the BHP Billiton Group include its share of the assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the BHP Billiton Group's interest in the joint arrangement.

### Foreign currencies

The BHP Billiton Group's reporting currency is US dollars as this is the dominant currency in which BHP Billiton Group companies operate.

Transactions denominated in foreign currencies are recorded using the exchange rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Foreign currency deposits held to meet known commitments for capital expenditure are translated at the rate of exchange at the date of the purchase of the deposit. Other monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on retranslation are included in the consolidated profit and loss account.

Subsidiaries and joint ventures which maintain their accounting records in a currency different to the currency of the primary economic environment in which they operate ("functional currency") translate their accounts into the functional currency using the temporal method prior to consolidation. In effect this results in non-monetary assets and liabilities being recorded at their historical cost expressed in functional currency whilst monetary assets and liabilities are stated at the closing rate. Differences on translation are included in the profit and loss account.

Profit and loss accounts of subsidiaries and joint ventures which have functional currencies other than US dollars are translated to US dollars at average rates for the relevant reporting period, other than material exceptional items which are translated at the rate at the date of the transaction. Assets and liabilities are translated at exchange rates prevailing at the relevant balance sheet date. Exchange variations resulting from the retranslation at closing rate of the net investment in such subsidiaries and joint ventures, together with differences between their profit and loss accounts translated at average and closing rates, are shown as a movement in reserves and in the consolidated statement of total recognised gains and losses. Exchange differences arising on long-term foreign currency borrowings used to finance such investments, together with any related taxation, are also shown as a movement in reserves and in the consolidated statement of total recognised gains and losses.



## ACCOUNTING POLICIES CONTINUED

The inclusion in the profit and loss account of exchange gains and losses on unsettled transactions is required by accounting standards in order to give a true and fair view of the BHP Billiton Group's results. Compliance with accounting standards overrides the requirement of the Companies Act that only profits realised at the balance sheet date be included in the profit and loss account. The effect is disclosed in note 7.

### Financial instruments

The accounting method used for derivative financial instruments (such as forward exchange contracts, currency swaps and commodity contracts) is determined by whether or not the instrument is designated as a hedge of an existing exposure or a firm commitment and, if so, by the accounting method used for the item being hedged.

Financial instruments used to hedge existing exposures are included at market value with the resulting gains and losses taken to income when the gains and losses on the underlying hedged transactions are recognised. Gains and losses on hedges of firm commitments are deferred and recognised when any gains or losses on the hedged transaction are recognised. Derivative financial instruments that are not designated as a hedge are valued at market at balance sheet date, and gains and losses are taken to the profit and loss account.

### Tangible fixed assets

#### Valuation

Fixed assets are generally included in the financial statements at historical cost. Prior to the adoption of FRS 15 "Tangible fixed assets", certain fixed assets had been included in the financial statements at revalued amounts. With effect from 1 July 1998, such valuations were frozen and effectively treated as the cost of the fixed asset and no further revaluations made.

#### Mineral rights

Mineral rights acquired by the BHP Billiton Group are accounted for at cost with provisions made where impairments in value have occurred. Exploitable mineral rights are capitalised and depreciated over the production life of the asset.

#### Exploration, evaluation and development expenditure

Exploration and evaluation expenditure is charged to the profit and loss account as incurred except in respect of cost centres where:

- it is expected that the expenditure will be recouped by future exploitation or sale; or
- substantial exploration and evaluation activities have identified a mineral resource but these activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves

in which case the expenditure is capitalised.

The cost of acquiring petroleum exploration rights is capitalised and amortised to the profit and loss account on a straight line basis over the term of the lease.

Each cost centre is reviewed regularly to evaluate its commercial viability and, to the extent that it is considered that capitalised expenditure will not be recovered, it is written off.

When a decision is made to commence commercial development, the accumulated capitalised exploration and evaluation expenditure is transferred to other mineral assets where development expenditure is also accumulated. For the minerals businesses, cost centres are either individual areas of interest or mines as appropriate whereas for the petroleum business, these are either individual wells, fields or areas of interest as appropriate.

Where appropriate the costs associated with removing overburden from mines are capitalised and charged to profit on a unit of production basis utilising average stripping ratios.

#### Other tangible fixed assets

The cost of other tangible fixed assets includes financing and other appropriate direct and indirect costs incurred on major capital projects from the commencement of construction until the start of commercial production.

#### Depreciation, depletion and amortisation

The book value of tangible fixed assets (including the original capital expenditure on mines and any subsequent replacement expenditure) is depreciated over the useful economic lives of the specific assets concerned or the life of the mine or lease, if shorter. The major fixed assets are depreciated as follows:

Freehold land	Not depreciated
Freehold buildings	25-50 years straight line
Leasehold land and buildings	On a straight line basis over the life of the lease up to a maximum of 50 years
Other mining assets	Over the life of the proven and probable reserves
Plant and machinery	Economic useful life (4 to 30 years)
Petroleum interests	Over the life of the proved developed and undeveloped oil and gas reserves
Vehicles	Economic useful life (3 to 5 years)
Computer systems	Up to 8 years

Changes in estimates are accounted for over the estimated remaining economic life or the remaining commercial reserves of each project as applicable.

## ACCOUNTING POLICIES CONTINUED

**Other investments**

Fixed asset investments, other than joint ventures and associates, are stated individually at cost less provisions for impairments.

Current asset investments are valued at the lower of cost and net realisable value. In determining net realisable values, market values are used in the case of listed investments and Directors' estimates are used in the case of unlisted investments.

**Employee share awards**

The estimated cost of share awards made by the BHP Billiton Group are charged to profit over the period to the date of expected vesting or the performance period as appropriate. Where shares are acquired in advance of vesting, the cost of these share investments is included within other fixed asset investments offset by amounts charged to profit relating to those shares.

**Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. In some cases, the first-in-first-out method or actual cost is used. For processed inventories, cost is derived on an absorption costing basis. Cost comprises cost of production, including attributable mining and manufacturing overheads.

**Deferred taxation****Corporation Tax**

Full provision is made for deferred taxation on all timing differences which have arisen but not reversed at the balance sheet date, except as follows:

- Tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute all past earnings exists;
- Deferred tax is not recognised on the difference between book values and fair values of non-monetary assets arising on acquisitions or purchased fixed assets which have subsequently been revalued unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised; and
- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

**Resource rent taxes and royalties**

Resource rent taxes and royalties are charges to operating profit; full provision is made for all timing differences which have arisen but not reversed at the balance sheet date except that carried forward resource rent tax benefits are recognised only to the extent that it is more likely than not that they will be recovered.

**Provision for employee benefits**

Provision is made in the accounts for all employee benefits, including on-costs. In relation to industry-based long service leave funds, the BHP Billiton Group's share of debtors and creditors, including obligations for funding shortfalls, have been recognised.

**Pension costs and other post-retirement benefits**

The BHP Billiton Group operates or participates in a number of pension schemes throughout the world. The funding of the schemes complies with local regulations. The assets of the schemes are generally held separately from those of the BHP Billiton Group and are administered by trustees or management boards. For schemes of the defined-contribution type or those operated on an industry-wide basis where it is not possible to identify assets attributable to the participation by the BHP Billiton Group's employees, the pension charge is calculated on the basis of contributions payable. For defined-benefit schemes, the cost of providing pensions is charged to the profit and loss account so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice.

Certain BHP Billiton Group companies provide post-retirement medical benefits to qualifying pensioners. In some cases the benefits are provided through medical care schemes to which the company, the employees, the retirees and covered family members contribute. In some schemes, there is no funding of the benefits before retirement. For the unfunded schemes and for funded schemes where it is possible to identify assets that are attributable to current and future retirees of the BHP Billiton Group companies, the cost of providing the post-retirement benefits is charged to the profit and loss account so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice. For other funded schemes the charge to the profit and loss account is calculated on the basis of premiums payable.

**Leases**

Assets held under leases which result in the BHP Billiton Group receiving substantially all the risks and rewards of ownership of the asset (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments.

The corresponding finance lease obligation is included within creditors due within or after more than one year. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Rentals paid on operating leases are charged to the profit and loss account on a straight line basis over the lease term. Provision is made for future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no

## ACCOUNTING POLICIES CONTINUED

probable future benefit. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

**Decommissioning, site restoration and environmental costs**

BHP Billiton Group companies are generally required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the BHP Billiton Group's environmental policies. The expected cost of any decommissioning or restoration programme, discounted to its net present value, is provided and capitalised at the later of when the related environmental disturbance occurs and when the BHP Billiton Group becomes committed to the programme. The capitalised cost is amortised over the life of the

operation and the increase in the net present value of the provision for the expected cost is included with interest and similar items.

The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged to the profit and loss account as incurred.

**Turnover**

Turnover comprises the value of sales, excluding value added tax (VAT), of goods and services in the normal course of business.

**Exchange rates**

The following exchange rates have been utilised in these financial statements.

Versus US dollar	2001 average	2000 average	30 June 2001	30 June 2000
South African rand	<b>7.16</b>	6.34	<b>8.08</b>	6.82
Australian dollar	<b>1.87</b>	1.59	<b>1.98</b>	1.66
Brazilian real	<b>2.01</b>	1.83	<b>2.30</b>	1.80
Chilean peso	<b>577</b>	523	<b>632</b>	540
Colombian peso	<b>2 233</b>	1 957	<b>2 297</b>	2 148
Canadian dollar	<b>1.52</b>	1.48	<b>1.52</b>	1.48

## DLC MERGER OF BHP BILLITON PLC AND BHP BILLITON LIMITED

### Terms of the merger

On 29 June 2001, BHP Billiton Plc and BHP Billiton Limited entered into a DLC merger. This was effected by contractual arrangements between the companies and amendments to their constitutional documents. Further details are set out on page 84.

In order to ensure that the dividend, capital and voting rights of each of BHP Billiton Plc and BHP Billiton Limited shares are identical, BHP Billiton Limited has made a bonus issue to its shareholders of 1.0651 ordinary shares in BHP Billiton Limited for each existing ordinary share held. Following completion of the DLC merger, and assuming completion of the intended spin-out of the BHP Billiton Limited Group's steel business and the proposed buy-back of BHP Billiton Limited shares (which together will increase the BHP Billiton Plc shareholders' interest in the BHP Billiton Group by approximately 3.5 per cent), it is anticipated that the interest of the shareholders of BHP Billiton Plc and of BHP Billiton Limited in the BHP Billiton Group will be in the order of 42 per cent and 58 per cent respectively.

The Board has established a nominations committee which comprises two ex-BHP Billiton Plc Directors and two ex-BHP Billiton Limited Directors. The committee will exercise the Board's powers with regard to the appointment of Directors with decisions requiring at least three votes in favour. These arrangements, which will stay in place for at least three years from the implementation of the DLC merger, together with the balanced composition of the Board and of executive management are sufficient to ensure that neither the BHP Billiton Plc Group nor the BHP Billiton Limited Group can dominate the merged group by virtue of their influence or size.

### Accounting alignment

Certain adjustments have been made and are reflected in the results of the BHP Billiton Group to align differing accounting policies previously adopted by the BHP Billiton Plc Group and the BHP Billiton Limited Group as follows:

#### Accounting policies:

- (A) Exploration costs charged to the profit and loss account by the BHP Billiton Plc Group but reinstated upon a project being considered to be economically viable are no longer re-instated.
- (B) The BHP Billiton Limited Group previously recognised the cost of any committed decommissioning or restoration programme by a charge to profit on a units of production basis of the

estimated undiscounted cost. Consistent with the policy applied by the BHP Billiton Plc Group, the expected cost, discounted to net present value, is provided and capitalised at the beginning of the project. The capitalised cost is amortised to operating profit over the life of the project and the increase in net present value of the provision as the discount unwinds is included in net interest and similar items.

- (C) Costs of providing pensions previously charged to profit and loss account by the BHP Billiton Limited Group as contributions were made to the pension plans, are now charged to profit and loss account so as to allocate the costs systematically over employees' service lives.
- (D) The BHP Billiton Limited Group has previously accounted for the proceeds of shares issued under its Employee Share Plan, the proceeds from exercise of share options or performance rights under that plan and proceeds from the issue of shares under the Executive Share Scheme as equity contributions. Consistent with the policy applied by the BHP Billiton Plc Group, the expected cost of awards under the Executive Share Scheme or the Employee Share Plan is charged to the profit and loss account over the vesting period.

#### Consolidation adjustments:

- (E) The profit recognised on the sale of businesses by the BHP Billiton Limited Group to the BHP Billiton Plc Group has been eliminated on consolidation, resulting in a reduction in depreciation and a corresponding increase in operating profit.
- (F) Turnover and cost of sales arising on the sales of goods by the BHP Billiton Plc Group to the BHP Billiton Limited Group have been eliminated on consolidation.

#### Segment reclassification:

Following the DLC merger, the business of the BHP Billiton Group has been reorganised into customer sector groups and the analysis of results and net operating assets by business segment have been presented on this basis.

The accounting adjustments have been made for all years presented. The adjustments are identified by the relevant letter in the following tables of balance sheet and profit and loss account data.

# DLC MERGER OF BHP BILLITON PLC AND BHP BILLITON LIMITED CONTINUED

<b>Consolidated balance sheet at 30 June 2001</b>	BHP Billiton Plc Group US\$m	BHP Billiton Ltd Group US\$m	Adjustments US\$m	Key	BHP Billiton Group US\$m
<b>Fixed assets</b>					
Intangible assets	89	1	(31)	E	59
Tangible assets	8 732	10 406	93	A,B,E	19 231
Investments	1 594	386	-		1 980
	<b>10 415</b>	<b>10 793</b>	<b>62</b>		<b>21 270</b>
<b>Current assets</b>					
Stocks	896	779	-		1 675
Debtors	1 071	2 328	184	C	3 583
Investments	132	83	-		215
Cash including money market deposits	687	598	-		1 285
	<b>2 786</b>	<b>3 788</b>	<b>184</b>		<b>6 758</b>
Creditors: amounts falling due within one year	(2 583)	(2 652)	-		(5 235)
<b>Net current assets</b>	<b>203</b>	<b>1 136</b>	<b>184</b>		<b>1 523</b>
<b>Total assets less current liabilities</b>	<b>10 618</b>	<b>11 929</b>	<b>246</b>		<b>22 793</b>
Creditors: amounts falling due after more than one year	(3 486)	(3 568)	-		(7 054)
Provisions for liabilities and charges	(894)	(2 833)	(292)	B,C	(4 019)
<b>Net assets</b>	<b>6 238</b>	<b>5 528</b>	<b>(46)</b>		<b>11 720</b>
Equity minority interests	(328)	(124)	72	E	(380)
<b>Attributable net assets</b>	<b>5 910</b>	<b>5 404</b>	<b>26</b>		<b>11 340</b>
<b>Capital and reserves</b>					
Share capital	1 160	-	-		1 160
Share premium account	592	-	-		592
Contributed equity	-	3 039	-		3 039
Profit and loss account	4 158	2 365	26		6 549
<b>Equity shareholders' funds</b>	<b>5 910</b>	<b>5 404</b>	<b>26</b>		<b>11 340</b>

# DLC MERGER OF BHP BILLITON PLC AND BHP BILLITON LIMITED CONTINUED

<b>Consolidated profit and loss account for the year ended 30 June 2001</b>	BHP Billiton Plc Group US\$m	BHP Billiton Ltd Group US\$m	Adjustments US\$m	Key	BHP Billiton Group US\$m
<b>Turnover (including share of joint ventures and associates)</b>	<b>7 333</b>	<b>11 755</b>	<b>(9)</b>	F	<b>19 079</b>
Less: share of joint ventures' and associates' turnover included above	(673)	(617)	-		(1 290)
Group turnover	6 660	11 138	(9)		17 789
Net operating costs	(5 752)	(8 932)	73	A-F	(14 611)
Group operating profit	908	2 206	64		3 178
Share of operating profit/(loss) of joint ventures and associates	79	(432)	-		(353)
Operating profit (including share of profit of joint ventures and associates)	987	1 774	64		2 825
Income from other fixed asset investments	18	14	-		32
Profit on sale of fixed assets	-	200	-		200
Profit/(loss) on sale of subsidiaries	-	4	-		4
Loss on termination of operations	-	(430)	-		(430)
Merger transaction costs	(55)	(37)	-		(92)
Net interest and similar items payable	(127)	(321)	(28)	B	(476)
<b>Profit before taxation</b>	<b>823</b>	<b>1 204</b>	<b>36</b>		<b>2 063</b>
Taxation	(284)	(519)	(8)	A-D	(811)
<b>Profit after taxation</b>	<b>539</b>	<b>685</b>	<b>28</b>		<b>1 252</b>
Equity minority interests	21	256	-		277
<b>Profit for the financial year (attributable profit)</b>	<b>560</b>	<b>941</b>	<b>28</b>		<b>1 529</b>
<b>Effect of exceptional items included above:</b>					
Profit before taxation	(189)	(905)	-		(1 094)
Taxation	27	105	-		132
Equity minority interest	34	268	-		302
	<b>(128)</b>	<b>(532)</b>	<b>-</b>		<b>(660)</b>

<b>Consolidated statement of total recognised gains and losses for the year ended 30 June 2001</b>	BHP Billiton Plc Group US\$m	BHP Billiton Ltd Group US\$m	Adjustments US\$m	Key	BHP Billiton Group US\$m
Attributable profit for the financial year	560	941	28		1 529
Exchange gains and losses on foreign currency net investments	-	(734)	(29)	A-E	(763)
<b>Total recognised gains for the year</b>	<b>560</b>	<b>207</b>	<b>(1)</b>		<b>766</b>
Prior year adjustment arising from the implementation of revised accounting policies:					
- Deferred taxation	(200)	-	-		(200)
- Exploration	(15)	-	-		(15)
<b>Total recognised gains since last annual report</b>	<b>345</b>	<b>207</b>	<b>(1)</b>		<b>551</b>

Of the adjustment to attributable profit, US\$5 million relates to the BHP Billiton Plc Group, US\$12 million relates to the BHP Billiton Limited Group and US\$11 million relates to consolidation adjustments.

## DLC MERGER OF BHP BILLITON PLC AND BHP BILLITON LIMITED CONTINUED

<b>Consolidated profit and loss account for the year ended 30 June 2000</b>	BHP Billiton Plc Group US\$m	BHP Billiton Ltd Group US\$m	Adjustments US\$m	Key	BHP Billiton Group US\$m
<b>Turnover (including share of joint ventures and associates)</b>	<b>5 550</b>	<b>12 865</b>	<b>(13)</b>	F	<b>18 402</b>
Less: share of joint ventures' and associates' turnover included above	(559)	(428)	-		(987)
Group turnover	4 991	12 437	(13)		17 415
Net operating costs	(4 310)	(11 092)	(70)	A-F	(15 472)
Group operating profit	681	1 345	(83)		1 943
Share of operating profit/(loss) of joint ventures and associates	162	77	-		239
Operating profit (including share of profit of joint ventures and associates)	843	1 422	(83)		2 182
Income from other fixed asset investments	8	12	-		20
Profit on sale of fixed assets	-	124	-		124
Profit/(loss) on sale of subsidiaries	-	2	-		2
Costs of fundamental reorganisation	-	(61)	-		(61)
Net interest and similar items payable	(21)	(448)	(20)	B	(489)
<b>Profit before taxation</b>	<b>830</b>	<b>1 051</b>	<b>(103)</b>		<b>1 778</b>
Taxation	(223)	(64)	36	A-D	(251)
<b>Profit after taxation</b>	<b>607</b>	<b>987</b>	<b>(67)</b>		<b>1 527</b>
Equity minority interests	(41)	20	-		(21)
<b>Profit for the financial year (attributable profit)</b>	<b>566</b>	<b>1 007</b>	<b>(67)</b>		<b>1 506</b>
<b>Effect of exceptional items included above:</b>					
Profit before taxation	-	(760)	-		(760)
Taxation	-	523	-		523
	-	(237)	-		(237)

<b>Consolidated statement of total recognised gains and losses for the year ended 30 June 2000</b>	BHP Billiton Plc Group US\$m	BHP Billiton Ltd Ltd Group US\$m	Adjustments US\$m	Key	BHP Billiton Group US\$m
Attributable profit for the financial year	566	1 007	(67)		1 506
Exchange gains and losses on foreign currency net investments	(7)	(474)	(21)	A-E	(502)
<b>Total recognised gains for the year</b>	<b>559</b>	<b>533</b>	<b>(88)</b>		<b>1 004</b>

The adjustment to attributable profit comprises a US\$78 million reduction relating to BHP Billiton Limited and an increase of US\$11 million relating to consolidation adjustments.



## NOTES TO FINANCIAL STATEMENTS CONTINUED

**1 Principal subsidiaries, joint ventures, associates and joint arrangements****Subsidiary undertakings**

The principal subsidiary undertakings of BHP Billiton Plc and BHP Billiton Limited, none of which are held directly by BHP Billiton Plc are as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest	
			30 June 2001 %	30 June 2000 %
BHP Coal Pty Ltd	Australia	Holding company and coal mining	100	100
BHP Diamonds Inc	Canada	Diamond mining	100	100
BHP Direct Reduced Iron Pty Ltd	Australia	HBI production	100	100
BHP Finance Ltd	Australia	Finance	100	100
BHP Minerals Pty Ltd	Australia	Iron ore mining, silver mining	100	100
BHP Mitsui Coal Pty Ltd	Australia	Holding company and coal mining	80	80
BHP Navajo Coal Company	United States	Coal mining	100	100
BHP NZ Steel Ltd	New Zealand	Iron and steel production	100	100
BHP Petroleum (Bass Strait) Pty Ltd	Australia	Hydrocarbons exploration, development and production	100	100
BHP Petroleum (NWS) Pty Ltd	Australia	Hydrocarbons exploration, development and production	100	100
BHP Petroleum Great Britain Plc	United Kingdom	Hydrocarbons exploration, development and production	100	100
BHP Steel (AIS) Pty Ltd	Australia	Iron and steel production and coal mining	100	100
BHP Steel (JLA) Pty Ltd	Australia	Rollforming and coating of sheet steel	100	100
BHP Tintaya SA	Peru	Copper mining	99.95	100
BHP Transport and Logistics Pty Ltd	Australia	Transport services	100	100
Billiton Aluminium South Africa Ltd	South Africa	Aluminium smelting	100	100
Billiton Company BV	Netherlands	Holding company	100	100
Billiton Development BV	Netherlands	Exploration	100	100
Billiton Finance BV	Netherlands	Finance	100	100
Billiton International Metals BV	Netherlands	Commercial and technical services	100	100
Billiton International Services Limited	United Kingdom	Commercial and technical services	100	100
Billiton Marketing AG	Switzerland	Marketing and trading	100	100
Billiton Marketing BV	Netherlands	Marketing	100	-
Billiton SA Limited	South Africa	Holding and service company	100	100
Cerro Matoso SA	Colombia	Nickel mining and ferro-nickel smelting	99.8	99.8
Compania Minera Cerro Colorado Limitada	Chile	Copper	100	-
Coal Operations Australia Limited	Australia	Coal mining	100	100
Dia Met Minerals Ltd	Canada	Diamond mining	89.36	-
Groote Eylandt Mining Co Pty Limited	Australia	Manganese mining	60	60
Ingwe Coal Corporation Limited	South Africa	Coal mining	100	100
NAMD Inc	United States	Marketing and trading	100	-
Ok Tedi Mining Ltd	Papua New Guinea	Copper mining	52	52
PT Arutmin Indonesia Pty Ltd	Indonesia	Coal mining	80	80
QNI Limited	Australia	Nickel refining	100	100
Rio Algom Limited	Canada	Holding company	100	-
Samancor Limited	South Africa	Chrome and maganese mining and production	60	60
San Juan Coal Company	United States	Coal mining	100	100
Tasmanian Electro Metallurgical Co Pty Ltd	Australia	Manganese alloys	60	60

The BHP Billiton Group comprises a large number of companies. The list above only includes those companies which principally

affect the profit or net assets of the BHP Billiton Group together with the principal intermediate holding companies.



## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Joint ventures**

The principal joint ventures of the BHP Billiton Group are as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest	
			30 June 2001 %	30 June 2000 %
Minera Antamina SA	Peru	Copper and zinc mining	34	-
Carbones del Cerrejon SA	Colombia	Coal mining	33	-
Columbus Joint Venture (i)	South Africa	Stainless steel production	20	20
Cerrejon Zona Norte SA	Colombia	Coal mining	17	-
Highland Valley Copper	Canada	Copper mining	34	-
North Star BHP Steel	United States	Steel manufacturing - flat products	50	50
Orinoco Iron C.A.	Venezuela	HBI production	50	50
Polyfos (Pty) Limited (i)	South Africa	Manufacture of sodium tripolyphosphate	-	29
Richards Bay Minerals (ii)	South Africa	Titanium dioxide and mineral sands	50	50
Samarco Mineracao SA	Brazil	Iron ore mining	50	50

Notes :

- (i) Held by Samancor Limited in which the BHP Billiton Group has a 60% interest.
- (ii) Richards Bay Minerals comprises two legal entities as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest	
			30 June 2001 %	30 June 2000 %
Tisand (Pty) Limited	South Africa	Mineral sands mining	51	51
Richards Bay Iron and Titanium (Pty) Limited	South Africa	Titanium dioxide, zircon and rutile	49	49

In accordance with the shareholder agreement between the BHP Billiton Group and Rio Tinto (which owns the shares of Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited not owned by the BHP Billiton Group), Richards Bay Minerals functions as a single economic entity. The overall profit of Richards Bay Minerals is shared equally between the venturers.

**Associates**

The principal associates of the BHP Billiton Group are as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest	
			30 June 2001 %	30 June 2000 %
Minera Alumbreira Limited	Argentina	Copper and gold mining	25	-

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Proportionally included joint arrangements**

The principal joint arrangements in which the BHP Billiton Group has an interest and which are proportionally included in the financial statements are as follows:

Name	Country of operation	Principal activity	BHP Billiton Group's effective interest	
			30 June 2001 %	30 June 2000 %
Bass Strait	Australia	Hydrocarbons production and exploration	50	50
Laminaria	Australia	Hydrocarbons production and exploration	25-33	25-33
Griffin	Australia	Hydrocarbons production and exploration	45	45
North West Shelf	Australia	Hydrocarbons production and exploration	8-17	8-17
Bruce	United Kingdom	Hydrocarbons production and exploration	16	16
Keith	United Kingdom	Hydrocarbons production and exploration	32	32
Liverpool Bay	United Kingdom	Hydrocarbons production and exploration	46	46
Typhoon	United States	Hydrocarbons production	50	50
West Cameron 76	United States	Hydrocarbons exploration	34-78	34-78
Gulf of Mexico	United States	Hydrocarbons exploration	5-100	11-100
Mamore	Bolivia	Hydrocarbons production	50	50
Ohanet	Algeria	Hydrocarbons development	45	60
Blocks 401a/402a	Algeria	Hydrocarbons exploration and development	45	45
Zamzama	Pakistan	Hydrocarbons exploration and development	48	48
Mt Newman	Australia	Iron ore mining	85	85
Mt Goldsworthy	Australia	Iron ore mining	85	85
Yandi	Australia	Iron ore mining	85	85
Central Queensland Coal Associates (a)	Australia	Coal mining	50	52
Gregory (a)	Australia	Coal mining	50	64
Ekati™ (b)	Canada	Diamond mining	77	51
Hartley (c)	Zimbabwe	Platinum mining	-	67
Escondida	Chile	Copper mining	57.5	57.5
Worsley	Australia	Bauxite mining and alumina refining	86	30
Alumar	Brazil	- Alumina refining	36	36
		- Aluminium smelting	46	46
Billiton Suriname	Suriname	- Bauxite mining	76	76
		- Alumina refining	45	45
Valesul Aluminio (d)	Brazil	Aluminium smelting	41	41
Mozal	Mozambique	Aluminium smelting	47	47
Middelburg Mine	South Africa	Coal mining	83	83
Douglas Colliery	South Africa	Coal mining	83	83
Matla Colliery	South Africa	Coal mining	-	50
Richards Bay Coal Terminal	South Africa	Coal exporting	40	40
Rietspruit Mine	South Africa	Coal mining	50	50
Bayswater Colliery (e)	Australia	Coal mining	-	83
Wallarah Colliery	Australia	Coal mining	80	80

## Notes:

- (a) The BHP Billiton Group's interest in Central Queensland Coal Associates and Gregory Joint Ventures decreased to 50% in June 2001.
- (b) The BHP Billiton Group's effective interest at 30 June 2001 is 77% with 3% attributable to outside equity interests in Dia Met Minerals Ltd.
- (c) The BHP Billiton Group's interest was disposed of in January 2001.
- (d) The BHP Billiton Group has a 45.5% economic interest in Valesul Aluminio SA.
- (e) During the year the outstanding interest was acquired by Coal Operations Australia Limited.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

## 2 Exceptional items

Exceptional items by category		Gross 2001 US\$m	Tax 2001 US\$m	Net 2001 US\$m
<b>Sale of fixed assets</b>				
Carbon steel materials	Equalisation of Queensland Coal interests (a)	128	-	128
		128	-	128
<b>Termination of operations</b>				
Base metals	Ok Tedi copper mine (b)	(430)	14	(416)
		(430)	14	(416)
<b>Merger transaction costs</b>				
Group and unallocated items		(92)	-	(92)
		(92)	-	(92)
<b>Exceptional taxation items</b>				
Group and unallocated items	Income tax audit (refer note 36)		(33)	(33)
			(33)	(33)
<b>Other exceptional items</b>				
<i>Restructuring costs and provisions:</i>				
Steel		(22)	7	(15)
<i>Merger related restructuring costs:</i>				
Base metals		(7)	2	(5)
Exploration, technology and new business		(7)	1	(6)
Group and unallocated items		(22)	6	(16)
Net interest		(6)	-	(6)
		(64)	16	(48)
<i>Write down in carrying values of assets and provisions:</i>				
Carbon steel materials	HBI Venezuela (c)	(180)	-	(180)
Group and unallocated items	HBI Venezuela (c)	(340)	110	(230)
Energy coal	Lakes Mines	(26)	6	(20)
Other activities	Columbus JV	(114)	30	(84)
		(660)	146	(514)
<i>Sale of expansion rights:</i>				
Aluminium	Mozal II (d)	61	(21)	40
		61	(21)	40
<i>Employee share awards accelerated by merger:</i>				
Aluminium		(8)	2	(6)
Base metals		(1)	-	(1)
Carbon steel materials		(6)	2	(4)
Stainless steel materials		(5)	1	(4)
Energy coal		(8)	2	(6)
Exploration, technology and new business		(6)	2	(4)
Group and unallocated items		(3)	1	(2)
		(37)	10	(27)
		(1 094)	132	(962)

NOTES TO FINANCIAL STATEMENTS CONTINUED

- (a) The BHP Billiton Group and Mitsubishi agreed to equalise their interests in the Central Queensland Coal Associates and Gregory joint ventures which involved the BHP Billiton Group selling to Mitsubishi a proportion of its interests resulting in the profit disclosed above.
- (b) The BHP Billiton Group has been negotiating with the other shareholders of Ok Tedi Mining Ltd 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 Group's share of Ok Tedi's net assets by way of an impairment of fixed assets (US\$148 million after tax and equity minority interests). The BHP Billiton Group has decided to exit its involvement in Ok Tedi and from 1 July 2001 profit from Ok Tedi will be recognised only to the extent that dividends are received by the BHP Billiton Group.
- (c) The BHP Billiton Group ceased 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 US\$520 million. The cost of settling financial obligations in excess of the BHP Billiton Group's carrying value of its investment in HBI Venezuela has been included in Group and unallocated items and in the Australian geographical segment.
- (d) In addition to its 47% interest in the Mozal aluminium smelter, the BHP Billiton Group owned expansion rights amounting to 85%. During the year it sold expansion rights of 38% to its partners for consideration valued at US\$61 million (US\$40 million net of tax).

<b>Exceptional items by customer sector group</b>	<b>Gross 2001 US\$m</b>	<b>Tax 2001 US\$m</b>	<b>Net 2001 US\$m</b>
Aluminium	53	(19)	34
Base metals	(438)	16	(422)
Carbon steel materials	(58)	2	(56)
Stainless steel materials	(5)	1	(4)
Energy coal	(34)	8	(26)
Steel	(22)	7	(15)
Exploration, technology and new business	(13)	3	(10)
Other activities	(114)	30	(84)
Group and unallocated items	(457)	84	(373)
Net interest	(6)	-	(6)
	<b>(1 094)</b>	<b>132</b>	<b>(962)</b>

## NOTES TO FINANCIAL STATEMENTS CONTINUED

		Gross 2000 US\$m	Tax 2000 US\$m	Net 2000 US\$m
<b>Exceptional items by category</b>				
<b>Sale of subsidiaries</b>				
Steel	US West Coast Steel businesses	(135)	2	(133)
Petroleum	PNG assets and Bolivia-Brazil pipeline	93	(1)	92
Other activities	BHP IT	38	-	38
		(4)	1	(3)
<b>Costs of fundamental reorganisation (a)</b>				
Petroleum		(12)	4	(8)
Steel		(18)	7	(11)
Group and unallocated items		(31)	10	(21)
		(61)	21	(40)
<b>Exceptional tax expense items</b>				
Group and unallocated items	Restatement of deferred tax balances on rate change		107	107
Group and unallocated items	Tax benefit on finalisation of funding arrangements		184	184
			291	291
<b>Other exceptional items</b>				
Asset write-offs and provisions:				
Carbon steel materials	HBI Western Australia	(695)	210	(485)
		(695)	210	(485)
		(760)	523	(237)

		Gross 2000 US\$m	Tax 2000 US\$m	Net 2000 US\$m
<b>Exceptional items by customer sector group</b>				
Carbon steel materials		(695)	210	(485)
Petroleum		81	3	84
Steel		(153)	9	(144)
Other activities		38	-	38
Group and unallocated items		(31)	301	270
		(760)	523	(237)

(a) Costs associated with the fundamental reallocation of responsibilities between the businesses and the Group centre to align the organisation structure with the Portfolio Business Model.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

## 3 Analysis by business segment

Group including joint ventures and associates	External turnover		Intersegment turnover		Profit before tax		Net operating assets	
	2001	2000	2001	2000	2001	2000	2001	2000
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Aluminium	2 971	2 357	-	-	576	438	4 730	3 216
Base metals	2 231	2 374	-	-	47	478	3 834	2 244
Carbon steel materials	3 185	2 627	184	215	836	(157)	2 289	2 950
Stainless steel materials	838	977	-	-	74	205	1 598	1 487
Energy coal	1 982	1 597	-	-	348	137	1 986	1 665
Petroleum	3 340	2 963	21	8	1 407	1 142	2 504	2 796
Steel	3 427	5 080	333	313	248	249	1 965	3 749
Exploration, technology and new business	246	217	5	7	(7)	12	869	416
Other activities	1 222	489	29	-	6	163	817	582
Group and unallocated	(363)	(279)	12	117	(996)	(400)	1 120	1 170
Net interest					(476)	(489)		
	19 079	18 402	584	660	2 063	1 778	21 712	20 275

Joint ventures and associates	External turnover		Intersegment turnover		Profit before tax		Net operating assets	
	2001	2000	2001	2000	2001	2000	2001	2000
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Aluminium	32	34	-	-	1	1	4	4
Base metals	90	6	-	-	25	-	1 122	-
Carbon steel materials	458	238	-	-	(94)	51	355	813
Stainless steel materials	6	36	-	-	-	5	2	22
Energy coal	83	-	-	-	16	-	393	-
Petroleum	-	-	-	-	-	-	-	-
Steel	196	218	-	-	2	28	245	278
Exploration, technology and new business	-	-	-	-	-	-	-	-
Other activities	425	455	-	-	37	154	434	569
Group and unallocated	-	-	-	-	(340)	-	-	-
Net interest					(63)	(43)		
	1 290	987	-	-	(416)	196	2 555	1 686

Turnover attributable to associates of US\$44 million (2000 - US\$nil) is included in Base metals.

Operating profit attributable to associates of US\$22million (2000 - US\$nil) is included in Base metals.

Turnover attributable to acquisitions of joint ventures and associates was US\$173 million (2000 - US\$nil).

Profit before tax attributable to acquisitions of joint ventures and associates was US\$41 million (2000 - US\$nil).

## NOTES TO FINANCIAL STATEMENTS CONTINUED

Trading activities included above	Turnover		Profit before tax	
	2001 US\$m	2000 US\$m	2001 US\$m	2000 US\$m
Aluminium	1 014	687	14	21
Base metals	13	97	-	(3)
Carbon steel materials	40	-	1	-
Stainless steel materials	6	-	-	-
Energy coal	100	-	6	-
Other activities	797	-	23	-
	1 970	784	44	18

Trading activities comprise the sale of third party product.

Turnover attributable to acquisitions included above in other activities, was US\$797 million (2000 - US\$nil).

Operating profit attributable to acquisitions included above in other activities, was US\$23 million (2000 - US\$nil).

NOTES TO FINANCIAL STATEMENTS CONTINUED

4 Analysis by geographical segment

Analysis by geographical market	Group		Joint ventures and associates		Total	
	2001 US\$m	2000 US\$m	2001 US\$m	2000 US\$m	2001 US\$m	2000 US\$m
<b>Turnover</b>						
Australia	3 343	4 292	2	3	3 345	4 295
Europe	4 292	3 535	329	203	4 621	3 738
Japan	2 345	2 195	120	51	2 465	2 246
South Korea	896	987	64	16	960	1 003
Other Asia	1 933	1 831	170	87	2 103	1 918
North America	2 936	2 649	436	470	3 372	3 119
Southern Africa	749	721	60	87	809	808
Rest of World	1 295	1 205	109	70	1 404	1 275
	<b>17 789</b>	<b>17 415</b>	<b>1 290</b>	<b>987</b>	<b>19 079</b>	<b>18 402</b>

Turnover attributable to associates of US\$44 million (2000 - US\$nil) is included in Rest of World.

Analysis by geographical origin	Group		Joint ventures and associates		Total	
	2001 US\$m	2000 (restated) US\$m	2001 US\$m	2000 (restated) US\$m	2001 US\$m	2000 (restated) US\$m
<b>Turnover</b>						
Australia	8 076	8 499	178	-	8 254	8 499
Europe	1 987	1 147	-	-	1 987	1 147
North America	1 825	1 623	301	252	2 126	1 875
South America	1 980	1 868	370	210	2 350	2 078
Southern Africa	2 666	2 794	441	525	3 107	3 319
Rest of World	1 255	1 484	-	-	1 255	1 484
	<b>17 789</b>	<b>17 415</b>	<b>1 290</b>	<b>987</b>	<b>19 079</b>	<b>18 402</b>
<b>Profit before tax</b>						
Australia	1 916	700	(297)	-	1 619	700
Europe	194	267	-	1	194	268
North America	112	40	5	28	117	68
South America	543	595	(99)	49	444	644
Southern Africa	460	322	38	161	498	483
Rest of World	(333)	104	-	-	(333)	104
	<b>2 892</b>	<b>2 028</b>	<b>(353)</b>	<b>239</b>	<b>2 539</b>	<b>2 267</b>
Net interest	(413)	(446)	(63)	(43)	(476)	(489)
	<b>2 479</b>	<b>1 582</b>	<b>(416)</b>	<b>196</b>	<b>2 063</b>	<b>1 778</b>
<b>Net operating assets (refer note 5)</b>						
Australia	8 020	9 786	-	-	8 020	9 786
Europe	734	727	-	-	734	727
North America	(368)	163	403	282	35	445
South America	5 900	2 691	1 685	780	7 585	3 471
Southern Africa	3 844	3 859	467	624	4 311	4 483
Rest of World	1 027	1 363	-	-	1 027	1 363
	<b>19 157</b>	<b>18 589</b>	<b>2 555</b>	<b>1 686</b>	<b>21 712</b>	<b>20 275</b>

Turnover attributable to associates of US\$44 million (2000 - US\$nil) is included in South America.

Net operating assets attributable to associates of US\$273 million (2000 - US\$nil) is included in South America.

Operating profit attributable to associates of US\$22 million (2000 - US\$nil) is included in South America.



## NOTES TO FINANCIAL STATEMENTS CONTINUED

	Group		Joint ventures and associates		Total	
	2001	2000	2001	2000	2001	2000
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>5 Reconciliation of net operating assets</b>						
Net operating assets (refer notes 3 and 4)	19 157	18 589	2 555	1 686	21 712	20 275
Cash, including money market deposits	1 285	1 431	60	44		
Debt	(8 606)	(7 523)	(980)	(879)		
Corporation tax	(359)	(311)	(12)	(3)		
Dividends payable	(421)	(432)	-	-		
Deferred tax	(881)	(901)	(116)	(55)		
Tax recoverable	38	46	-	-		
Investment in own shares	-	21	-	-		
Shareholder loans	438	262	(438)	(262)		
Net assets	10 651	11 182	1 069	531	11 720	11 713

	2001	2000
	US\$m	US\$m
<b>6 Net operating costs</b>		
Change in stocks of finished goods and work in progress	(37)	30
Raw materials and consumables	2 521	2 403
Staff costs	2 115	2 269
Amortisation of goodwill and negative goodwill	6	10
Depreciation of tangible fixed assets	1 666	1 738
Impairment charge	34	695
Loss on sale of fixed assets and joint ventures	21	2
Other operating income	(206)	(156)
Other operating charges	8 491	8 481
Group	14 611	15 472
Joint ventures and associates	1 643	748
Operating costs including joint ventures and associates	16 254	16 220

	2001	2000
	US\$m	US\$m
Other operating charges include the following:		
Operating lease charges:		
Land and buildings	49	59
Plant and equipment	158	107
Other lease charges	96	11

	2001	2000
	US\$m	US\$m
Audit fees payable by the BHP Billiton Group to:		
Joint auditors of BHP Billiton Plc (including overseas firms)	5	3
Other audit firms	3	4
	8	7

	2001	2000
	US\$m	US\$m
Fees payable by the BHP Billiton Group to auditors for other services:		
Joint auditors of BHP Billiton Plc	14	2
- UK firms and associates	6	8
- Other overseas firms	6	3
Other audit firms	6	3
	26	13

Group operating costs include US\$926 million in respect of subsidiaries acquired during the year, impacting as follows: decrease in stocks of finished goods and work in progress US\$1 million, raw materials and consumables US\$84 million, staff costs US\$95 million, amortisation of goodwill US\$2 million,

depreciation of tangible fixed assets US\$55 million and other operating charges US\$689 million.

The audit fee payable in respect of the audit of the BHP Billiton Plc company financial statements was US\$10 000 (2000 - US\$10 000).

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>7 Net interest and similar items (payable)/receivable</b>	<b>2001</b>	<b>2000</b>
	<b>US\$m</b>	<b>US\$m</b>
On bank loans and overdrafts	(236)	(238)
On all other loans	(339)	(324)
Finance lease and hire purchase interest	(9)	(8)
	<b>(584)</b>	<b>(570)</b>
Dividends on redeemable preference shares (refer note 19)	(83)	(92)
Less amounts capitalised	39	65
	<b>(628)</b>	<b>(597)</b>
Share of interest of joint ventures and associates	(94)	(59)
	<b>(722)</b>	<b>(656)</b>
Other interest receivable	136	105
Exchange differences on net debt	118	78
- Group	31	16
- Joint ventures	<b>(437)</b>	<b>(457)</b>
Discounting on provisions	(39)	(32)
Net interest and similar items payable	<b>(476)</b>	<b>(489)</b>

Net exchange gains primarily represent the effect on borrowings of the depreciation of the rand against the US dollar.

Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction.

Cumulative unrealised exchange gains of US\$383 million have been recognised at 30 June 2001 (2000 - US\$309 million).

## 8 Employees

The average number of employees, which excludes joint ventures' and associates' employees and includes Executive Directors, during the period was as follows:

	<b>2001</b>	<b>2000</b>
	<b>No.</b>	<b>No.</b>
Aluminium	5 045	4 615
Base metals	5 427	4 405
Carbon steel materials	4 300	5 469
Stainless steel materials	5 861	6 831
Energy coal	15 228	18 587
Petroleum	1 744	1 877
Steel	16 627	23 642
Exploration, technology and new business	770	896
Other activities	2 745	1 013
Group and unallocated items	1 206	2 156
	<b>58 953</b>	<b>69 491</b>

	<b>2001</b>	<b>2000</b>
	<b>US\$m</b>	<b>US\$m</b>
The aggregate payroll costs of those employees were as follows		
Wages, salaries and redundancies	1 899	2 078
Employee share awards	50	10
Social security costs	34	17
Pension and other post-retirement benefit costs (refer note 27)	132	164
	<b>2 115</b>	<b>2 269</b>

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>9 Taxation</b>	<b>2001</b>	<b>2000</b>
	<b>US\$m</b>	<b>US\$m</b>
<b>(a) Analysis of charge in the period</b>		
<b>UK taxation</b>		
Corporation tax at 30% (2000 - 30%)		
- Current	<b>223</b>	230
- Deferred	<b>(17)</b>	(68)
less double taxation relief	<b>(127)</b>	(100)
	<b>79</b>	62
<b>Australian taxation</b>		
Corporation tax at 34% (2000 - 36%)		
- Current	<b>299</b>	301
- Deferred	<b>66</b>	(385)
	<b>365</b>	(84)
<b>South African taxation</b>		
Corporation tax at 30% (2000 - 30%)		
- Current	<b>110</b>	81
- Deferred	<b>(40)</b>	(25)
	<b>70</b>	56
<b>Other overseas taxation</b>		
- Current	<b>227</b>	92
- Deferred	<b>(28)</b>	41
	<b>199</b>	133
<b>Share of joint ventures' tax charge</b>		
- Current	<b>80</b>	55
- Deferred	<b>(31)</b>	4
	<b>49</b>	59
<b>Share of associates' current tax change</b>	<b>3</b>	-
<b>Withholding tax and secondary taxes on companies</b>	<b>46</b>	24
<b>Other taxation</b>	<b>-</b>	1
	<b>811</b>	251
<b>Made up of:</b>		
<b>Aggregate current tax</b>		
- Group	<b>778</b>	629
- Joint ventures and associates	<b>83</b>	55
	<b>861</b>	684
<b>Aggregate deferred tax</b>		
- Group	<b>(19)</b>	(437)
- Joint ventures and associates	<b>(31)</b>	4
	<b>(50)</b>	(433)
	<b>811</b>	251

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>9 Taxation</b> <small>continued</small>	<b>2001</b>	<b>2000</b>
	<b>US\$m</b>	<b>US\$m</b>
<b>(b) Factors affecting tax charge for the period</b>		
The tax assessed is different than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit on ordinary activities before tax	<b>2 063</b>	1 778
Tax on profit at UK rate of 30% (2000 - 30%)	<b>619</b>	533
<b>Permanent differences</b>		
Investment and development allowance	<b>(19)</b>	(29)
Amounts over provided in prior years	<b>(28)</b>	(57)
Recognition of prior year tax losses	<b>(133)</b>	(99)
Non-deductible accounting depreciation and amortisation	<b>32</b>	31
Non-deductible dividends on redeemable preference shares	<b>24</b>	30
Non tax effected operating losses	<b>47</b>	16
Tax rate differential on non-UK Income	<b>57</b>	(4)
Non tax effected capital gains	<b>(63)</b>	(12)
Foreign expenditure including exploration not presently deductible	<b>57</b>	41
South African secondary tax on companies	<b>46</b>	24
Foreign exchange gains and other translation adjustments	<b>(113)</b>	(11)
Non-deductible merger costs	<b>28</b>	-
Tax rate changes	<b>(22)</b>	(119)
Investment and asset impairments	<b>176</b>	33
Finalisation of funding arrangements	<b>-</b>	(153)
Income tax audit	<b>33</b>	(26)
Other	<b>70</b>	53
<b>Total permanent differences</b>	<b>192</b>	(282)
<b>Deferred tax movements taken to the profit and loss account</b>		
Capital allowances for the period less than depreciation	<b>79</b>	25
Exploration expenditure	<b>28</b>	157
Employee entitlements	<b>(72)</b>	(60)
Restoration and rehabilitation	<b>(32)</b>	(12)
Resource rent tax	<b>19</b>	(4)
Deferred income	<b>(16)</b>	22
Other provisions	<b>(10)</b>	(1)
Foreign exchange losses/(gains)	<b>24</b>	(75)
Foreign tax	<b>41</b>	56
Tax losses	<b>(228)</b>	355
Other	<b>217</b>	(30)
<b>Total timing differences</b>	<b>50</b>	433
Current tax charge for period	<b>861</b>	684
less deferred tax movements taken to the profit and loss account	<b>(50)</b>	(433)
<b>Tax on profit on ordinary activities</b>	<b>811</b>	251

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**9 Taxation** continued**(c) Factors that may affect future tax charges**

The BHP Billiton Group operates in countries where tax rates are higher than UK tax rates, including Canada (43%), Chile (effective rate of 35%), South Africa (effective rate of 37.8%) and the US (35%). From 1 July 2001 the Australian tax rate has reduced from 34% to 30% which will be reflected in the BHP Billiton Group's future tax charges.

The BHP Billiton Group's subsidiaries generally have tax balances denominated in currencies other than US dollars. Where the subsidiary has a US dollar functional currency, any adjustments on translation of such balances will be taken to the tax charge for the period. The level of such adjustments is dependent upon future movements in exchange rates relative to the US dollar.

The BHP Billiton Group anticipates it will continue to incur foreign expenditure including exploration. The tax effect of such expenditure may not be recognised at that time dependent upon future available foreign income.

The BHP Billiton Group has corporation tax losses and capital losses of approximately US\$2 billion which have not been tax effected. The BHP Billiton Group anticipates benefits from the recognition of losses in future periods to the extent of income or gains in relevant jurisdictions.

	2001 US\$m	2000 US\$m
<b>(d) Provision for deferred tax</b>		
Accelerated capital allowances	1 494	1 597
Exploration expenditure	(136)	(129)
Employee entitlements	(81)	(166)
Restoration and rehabilitation	(92)	(146)
Resource rent tax	(105)	(102)
Deferred income	(98)	(135)
Other provisions	(44)	(55)
Foreign exchange losses/(gains)	(83)	(70)
Tax losses	(150)	(418)
Deferred charges	44	56
Foreign tax	89	155
Other	43	314
<b>Provision for deferred tax</b>	<b>881</b>	<b>901</b>
Provision at start of period	901	1 316
Acquisition of subsidiaries	27	56
Exchange differences	(28)	(34)
Deferred tax charge in profit and loss account for period (refer (a))	(19)	(437)
<b>Provision at end of period</b>	<b>881</b>	<b>901</b>
This provision is included within		
Debtors (refer note 16)	459	736
Provisions for liabilities and charges (refer note 21)	(1 340)	(1 637)
	<b>(881)</b>	<b>(901)</b>

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>10 Dividends</b>	<b>2001</b>	<b>2000</b>
	<b>US\$m</b>	<b>US\$m</b>
<b>BHP Billiton Plc</b>		
Dividends declared (a) (b)	<b>186</b>	154
Dividends paid		
Ordinary shares (c)	<b>92</b>	78
Preference shares (d)	-	-
	<b>278</b>	232
<b>BHP Billiton Limited</b>		
Dividends declared (a) (e)	<b>245</b>	275
Dividends paid	<b>231</b>	281
	<b>476</b>	556
	<b>754</b>	788

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

(b) Declared second interim of 8.0 US cents per share (2000 - dividend proposed: 7.5 US cents per share)

(c) Interim paid of 4.0 US cents per share (2000 - 3.75 US cents)

(d) 5.5% dividend on 50,000 preference shares of £1 each (2000 - 5.5%)

(e) Dividends declared for 2001 were 25.0 Australian cents unfranked per share and 26.0 Australian cents fully franked per share (2000 - 51.0 Australian cents unfranked per share). Taking account of the bonus issue, the total dividend for the year ended 30 June 2001 was 24.70 Australian cents (2000 - 24.70 Australian cents).

Dividends payable in the consolidated profit and loss account are stated net of amounts which are not payable outside the BHP Billiton Group under the terms of the share repurchase scheme (refer note 24) and the Billiton Employee Share Ownership Trust (refer note 14).

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>11 Earnings per share</b>	<b>2001</b>	<b>2000</b>
Basic earnings per share (US cents)		
excluding exceptional items	<b>36.8</b>	30.4
including exceptional items	<b>25.7</b>	26.3
Diluted earnings per share (US cents)		
excluding exceptional items	<b>36.6</b>	30.4
including exceptional items	<b>25.6</b>	26.3
Earnings (US\$million)		
excluding exceptional items	<b>2 189</b>	1 743
including exceptional items	<b>1 529</b>	1 506
Weighted average number of shares (millions)		
basic earnings per share	<b>5 944</b>	5 725
diluted earnings per share	<b>5 973</b>	5 736

Under the terms of the DLC merger, the rights to dividends of a holder of an ordinary share in BHP Billiton Plc and a holder of an ordinary share in BHP Billiton Limited are identical. Consequently earnings per share has been calculated on the basis of the aggregate number of ordinary shares ranking for dividend. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the share repurchase scheme and the Billiton Employee Share Ownership Trust and adjusting for the BHP Billiton Limited bonus issue.

The weighted average number of shares used for the purposes of calculating diluted earnings per share can be reconciled to the number used to calculate basic earnings per share as follows:

<b>Number of shares</b>	<b>2001 million</b>	<b>2000 million</b>
Basic earnings per share	<b>5 944</b>	5 725
BHP Billiton Limited options	<b>12</b>	6
BHP Billiton Limited partly paid shares	<b>3</b>	5
BHP Billiton Plc executive share awards	<b>14</b>	-
Diluted earnings per share	<b>5 973</b>	5 736

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>12 Intangible fixed assets</b>	Goodwill US\$m	Negative goodwill US\$m	Total US\$m
<b>Group</b>			
<b>Cost</b>			
At 1 July 2000	220	(175)	45
Prior year adjustment (refer Accounting Policies)	-	115	115
At 1 July 2000 (restated)	220	(60)	160
Additions	51	-	51
Disposals	(136)	14	(122)
Exchange variations	(21)	-	(21)
At 30 June 2001	<b>114</b>	<b>(46)</b>	<b>68</b>
<b>Amortisation</b>			
At 1 July 2000	93	(18)	75
Prior year adjustment	-	11	11
At 1 July 2000 (restated)	93	(7)	86
Amortisation for year	9	(3)	6
Disposals	(72)	-	(72)
Exchange variations	(11)	-	(11)
At 30 June 2001	<b>19</b>	<b>(10)</b>	<b>9</b>
<b>Net book value at 30 June 2001</b>	<b>95</b>	<b>(36)</b>	<b>59</b>
Net book value at 1 July 2000	127	(157)	(30)
Net book value at 1 July 2000 (restated)	127	(53)	74

Details of the acquisitions during the year are set out in note 25.



## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>13 Tangible fixed assets</b>	Land and buildings US\$m	Plant and equipment US\$m	Other mineral assets US\$m	Assets under construction US\$m	Exploration US\$m	Total US\$m
<b>Group</b>						
<b>Cost or valuation</b>						
At 1 July 2000	2 645	25 753	3 896	1 232	474	34 000
Prior year adjustment (refer Accounting Policies)	-	-	-	-	(83)	(83)
At 1 July 2000 (restated)	2 645	25 753	3 896	1 232	391	33 917
Additions	78	1 856	981	379	109	3 403
On acquisition of subsidiaries	135	482	924	4	1	1 546
Disposals	(33)	(514)	(46)	(1)	(3)	(597)
Disposals of businesses	(207)	(820)	(4)	-	-	(1 031)
Exchange variations	(226)	(2 063)	(99)	(19)	(16)	(2 423)
Transfers and other movements	170	774	9	(870)	(50)	33
At 30 June 2001	<b>2 562</b>	<b>25 468</b>	<b>5 661</b>	<b>725</b>	<b>432</b>	<b>34 848</b>
<b>Depreciation</b>						
At 1 July 2000	965	12 590	1 475	213	162	15 405
Prior year adjustment	-	-	-	-	(68)	(68)
At 1 July 2000 (restated)	965	12 590	1 475	213	94	15 337
Charge for the year (including impairments)	202	1 750	129	-	49	2 130
Disposals	(8)	(444)	(23)	-	-	(475)
Disposals of businesses	(43)	(237)	-	-	-	(280)
Exchange variations	(92)	(920)	(70)	(3)	(10)	(1 095)
Transfers and other movements	50	(32)	6	-	(24)	-
At 30 June 2001	<b>1 074</b>	<b>12 707</b>	<b>1 517</b>	<b>210</b>	<b>109</b>	<b>15 617</b>
<b>Net book value at 30 June 2001</b>	<b>1 488</b>	<b>12 761</b>	<b>4 144</b>	<b>515</b>	<b>323</b>	<b>19 231</b>
Net book value at 1 July 2000	1 680	13 163	2 421	1 019	312	18 595
Net book value at 1 July 2000 (restated)	1 680	13 163	2 421	1 019	297	18 580

Included in the amounts above are assets held under finance leases with a net book value of US\$79 million at 30 June 2001 (2000 - US\$83 million).

Depreciation charged on these assets during the year ended 30 June 2001 totalled US\$12 million (2000 - US\$9 million).

Included within the amounts set out above are assets with a net book value of US\$816 million which has been recorded at a Directors' valuation in prior periods. Under the transitional rules of FRS 15 "Tangible Fixed Assets" which was adopted in the year ended 30 June 1999, these valuations were frozen and effectively treated as the cost of the fixed asset and no further revaluations made. The comparable amount determined according to the historical cost convention is US\$681 million. The additional depreciation charge attributable to the revaluation for 2001 is US\$10 million (2000 - US\$12 million).

The net book value of land and buildings can be analysed as follows:	Freehold US\$m	Long leasehold US\$m	Total US\$m
<b>At 30 June 2001</b>	<b>1 378</b>	<b>110</b>	<b>1 488</b>
At 1 July 2000 (as restated)	1 643	37	1 680

**Non-depreciated assets**

Included within land and buildings, other mineral assets and exploration at 30 June 2001 is a total of US\$568 million (2000 - US\$306 million) of freehold land and mineral rights (undeveloped or under development) which are not currently depreciated.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>14 Fixed asset investments</b>	Investment in joint ventures US\$m	Investment in associates US\$m	Loans to joint ventures US\$m	Loans to associates US\$m	Own shares US\$m	Other fixed asset investments US\$m	Total US\$m
<b>Group</b>							
At 1 July 2000	580	-	262	-	21	290	1 153
Prior year adjustment (refer Accounting Policies)	(49)	-	-	-	-	-	(49)
At 1 July 2000 (as restated)	531	-	262	-	21	290	1 104
HBI Venezuela guarantee	-	-	310	-	-	-	310
Group share of profits less losses	(170)	12	(310)	-	-	-	(468)
Charge for year	-	-	-	-	(46)	(7)	(53)
Additions	572	-	118	-	25	353	1 068
Disposals	(237)	-	(9)	-	-	(136)	(382)
On acquisition of subsidiaries	443	46	-	67	-	26	582
Exchange variations	(12)	-	-	-	-	(28)	(40)
Dividends received	(166)	-	-	-	-	-	(166)
Transfers	50	-	-	-	-	(25)	25
<b>At 30 June 2001</b>	<b>1 011</b>	<b>58</b>	<b>371</b>	<b>67</b>	<b>-</b>	<b>473</b>	<b>1 980</b>

The BHP Billiton Group's share of net assets of joint ventures can be analysed as follows:	2001 US\$m	2000 US\$m
Share of fixed assets	2 340	1 562
Share of current assets	476	400
Share of liabilities due within one year	(346)	(360)
Share of liabilities due after more than one year	(1 459)	(1 071)
Share of net assets	1 011	531

Own shares comprised the shares of BHP Billiton Plc held by the Billiton Employee Share Ownership Trust (refer the Directors' report on Board remuneration for a description of the Trust). At 30 June 2000, 10 695 741 shares were held by the Trust with a market value at that date of US\$45 million. Following completion of the DLC merger, vesting of all of the shares in the trust was unconditional at 30 June 2001. The Trust received dividends on the shares held.

The BHP Billiton Group has subscribed for shares in a number of listed companies in connection with option arrangements on exploration projects. The consideration has been allocated to the option and has generally been expensed in accordance with the BHP Billiton Group's accounting policy on exploration.

These investments therefore have a book value of US\$nil at 30 June 2001 (2000 - US\$nil) in the table above and a market value of US\$5 million (2000 - US\$5 million).

Other listed investments had a book value of US\$4 million (2000 - US\$126 million) and a market value of US\$5 million (2000 - US\$124 million).

**BHP Billiton Plc**

The book value of BHP Billiton Plc's investments in subsidiaries at 30 June 2001 amounted to US\$3 030 million (2000 - US\$2 374 million). During the year there were additions of US\$656 million (2000 - US\$ nil).

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>15 Stocks</b>	Group	
	2001 US\$m	2000 US\$m
Raw materials and consumables	597	760
Work in progress	255	305
Finished goods	823	754
	<b>1 675</b>	<b>1 819</b>

<b>16 Debtors</b>	Group		BHP Billiton Plc	
	2001 US\$m	2000 US\$m	2001 US\$m	2000 US\$m
<b>Due within one year</b>				
Trade debtors	1 792	2 055	-	-
Amounts owed by joint ventures	5	2	-	-
Amounts owed by Group undertakings	-	-	151	36
Tax recoverable	38	46	13	39
Other debtors	590	487	-	-
Prepayments and accrued income	122	185	-	-
	<b>2 547</b>	<b>2 775</b>	<b>164</b>	<b>75</b>
<b>Due after more than one year</b>				
Trade debtors	11	12	-	-
Deferred tax	459	736	-	-
Other debtors	313	381	-	-
Prepayments and accrued income	253	312	-	-
	<b>1 036</b>	<b>1 441</b>	<b>-</b>	<b>-</b>
	<b>3 583</b>	<b>4 216</b>	<b>164</b>	<b>75</b>

Under the terms of the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent. Interest free employee loans are available to fund the purchase of such shares for a period of up to 20 years repayable by application of dividends or an equivalent amount. Other debtors due within one year and other debtors due after more than one year include US\$8 million (2000 - US\$7 million) and US\$161 million (2000 - US\$298 million) in respect of such loans respectively.

NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>17 Current asset investments</b>	Group	
	2001 US\$m	2000 US\$m
Listed investments	83	-
Other investments	132	111
	<b>215</b>	<b>111</b>

Listed investments have a market value of US\$105 million (2000 - US\$nil).

Other investments include US\$62 million (2000 - US\$61 million) held by the Ingwe Environmental Trust Fund. The future realisation of these investments is intended to fund environmental obligations relating to the eventual closure of Ingwe's mines and consequently these investments, whilst under BHP Billiton Group control, are not available for the general purposes of the BHP Billiton Group. All income from these investments is reinvested or spent to meet these obligations. The BHP Billiton Group retains responsibility for these environmental obligations

until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under provisions for liabilities and charges (refer note 21).

Other investments also include US\$59 million (2000 - US\$48 million) relating to the BHP Billiton Group's self insurance arrangements. These investments are held for the benefit of the BHP Billiton Group but are not available for the general purposes of the BHP Billiton Group.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

	Group		BHP Billiton Plc	
	2001 US\$m	2000 US\$m	2001 US\$m	2000 US\$m
<b>18 Creditors - amounts falling due within one year</b>				
Unsecured bank loans and overdraft	872	483	-	-
Total current portion of bank loans and overdrafts	872	483	-	-
Debentures	232	-	-	-
Secured debt (limited recourse) (refer note 19)	4	11	-	-
Redeemable preference shares (refer note 19)	356	926	-	-
Finance leases	10	14	-	-
Other unsecured borrowings	333	558	-	-
Other secured borrowings	278	491	-	-
Total current portion of debentures and other borrowings	1 213	2 000	-	-
<b>Total borrowings falling due within one year</b>	<b>2 085</b>	<b>2 483</b>	-	-
Trade creditors	1 227	1 066	-	-
Amounts owed to joint ventures	-	9	-	-
Amounts owed to Group undertakings	-	-	171	1
Taxation and social security	476	410	-	1
Other creditors	768	940	-	-
Accruals and deferred income	258	237	7	5
Dividends payable	421	432	186	160
	<b>5 235</b>	<b>5 577</b>	<b>364</b>	<b>167</b>

	Group		BHP Billiton Plc	
	2001 US\$m	2000 US\$m	2001 US\$m	2000 US\$m
Taxation and social security is analysed as follows				
Corporation taxes	359	311	-	-
Social security	-	2	-	-
Other taxes	117	97	-	1
	<b>476</b>	<b>410</b>	-	<b>1</b>

Debentures comprise debt convertible into shares of Rio Algom Limited, a wholly owned subsidiary company.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

19 Creditors - amounts falling due after more than one year	Group		BHP Billiton Plc	
	2001 US\$m	2000 US\$m	2001 US\$m	2000 US\$m
Unsecured bank loans and overdrafts	2 534	1 170	-	-
Total non-current portion of bank loans and overdrafts	2 534	1 170	-	-
Debentures	2 159	2 143	-	-
Secured debt (limited recourse) (a)	929	806	-	-
Redeemable preference shares (b)	534	537	-	-
Finance leases	53	67	-	-
Other unsecured borrowings	312	317	-	-
Total non-current portion of debentures and other borrowings	3 987	3 870	-	-
<b>Total borrowings falling due after more than one year</b>	<b>6 521</b>	<b>5 040</b>	-	-
Trade creditors	17	26	-	-
Other creditors	152	152	-	-
Deferred income	364	485	-	-
	<b>7 054</b>	<b>5 703</b>	-	-

(a) The limited recourse secured debt relates to the Escondida and Mozal joint arrangements. The debt is secured by a charge over the assets of each joint arrangement and the lender has recourse to only those assets in the event of default.

(b) Redeemable preference shares include the following:

**Billiton SA Limited**

700 (2000 - 700) shares of Rand 0.01 nominal value were issued for Rand 1 million each by a South African subsidiary and are redeemable between two and five years from issue. Company law in South Africa and the contractual arrangements relating to these shares are such that under generally accepted accounting principles in the United Kingdom, these shares are included in creditors with the dividends being included in interest and similar items. The preference shares pay a dividend at the rate of 72 per cent of prime overdraft rate, are denominated in South African rand, and the holders' rights are subordinated to those of debt holders in the issuer.

**Beswick Pty Ltd: 'A' Redeemable preference shares**

700 000 (2000 - 990 000) shares, issued at A\$1 000 each, fully paid; rebateable, cumulative dividend of 11 per cent per annum; non-participating. The BHP Billiton Limited Group holds options to purchase these shares, subject to certain conditions. The holders have agreed not to exercise their rights of redemption prior to 28 September 2001 (in relation to 700 000 shares) at which time the shares may be redeemed. 290 000 shares were redeemed on 19 June 2001 for A\$1 000 per share.

**Beswick Pty Ltd: 'B' Redeemable preference shares**

Nil (2000 - 500 000) shares, issued at A\$1 000 each, fully paid; rebateable, cumulative dividend of 8 per cent per annum; non-participating. Redeemed for A\$1 000 per share on 28 September 2000.

**BHP Operations Inc: Preferred stock**

*Auction market preferred stock*

600 (2000 - 1 800) shares issued at US\$250 000 each, fully paid preferred stock; cumulative, non-participating, dividend reset on a regular basis reflecting prevailing US market rates; not entitled to any earnings growth or capital appreciation of the issuer. Redeemable at the option of the issuer on any dividend payment date or, if redeemed in full, on any business day. Guaranteed by other BHP Billiton Limited Group companies.

*Cumulative preferred stock series A*

3 000 (2000 - nil) shares issued at US\$100 000 each, fixed at 6.76 per cent per annum, fully paid and not entitled to any earnings growth or capital appreciation of the issuer. Subject to mandatory redemption on 27 February 2006. Dividends are cumulative and are calculated on the basis of a year of twelve 30 day months. Guaranteed by other BHP Billiton Limited Group companies.

**BHP Steel (Thailand) Ltd: Preference shares**

Nil (2000 - 6 250 000) shares of 100 Baht each, fully paid, cumulative, dividends zero. Guaranteed by other BHP Billiton Limited Group companies. Redeemed December 2000.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

Debt falling due after 5 years is analysed as follows:	Repayable	Currency	Interest rate %	2001 US\$m	2000 US\$m
Long term borrowing - floating rate	2008 - 2011	US\$	4.1% reviewed quarterly	50	50
US\$ Bond issue	2006 - 2007	US\$	7.5% fixed	34	57
US\$ Bond issue	2011	US\$	7.5% fixed	750	1 024
Long term borrowing	2006	MYR	7% reviewed quarterly	5	-
Long term borrowing	2016	US\$	6.35% fixed	22	22
Escondida	2002 - 2008	US\$	8.3% fixed	42	-
Medium term notes	2005	A\$	7.725% fixed	-	300
Rio Algom Preferred Securities	2047	US\$	9.38% fixed	150	-
Long term borrowing	2030	US\$	LIBOR	53	85
Richards Bay Coal Terminal loan	2015	ZAR	interest free	28	35
Eskom loan	2017	ZAR	12.75% fixed	45	62
Eskom loan	2017	ZAR	interest free	77	107
Mozal - Senior loans	2006 - 2011	US\$	7-8% fixed	201	191
Mozal - Senior loans	2011	US\$	LIBOR+3.5%	35	20
CMSA Barclays facility	2007	US\$	LIBOR+6%	39	42
Other	2006 - 2016	various	various	35	37
				<b>1 566</b>	<b>2 032</b>

For maturity profile of financial liabilities see note 20, Liquidity Exposures. For the purpose of that disclosure, financial liabilities include total borrowings falling due within one year US\$2 085 million (2000 - US\$2 483 million), total borrowings falling due after more than one year US\$6 521 million (2000 - US\$5 040 million) and other creditors falling due after more than one year, payable in cash, of US\$24 million (2000 - US\$37 million).

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**20 Financial instruments**

Prior to the DLC merger, the BHP Billiton Plc Group and the BHP Billiton Limited Group operated as separate Groups and therefore the objectives and policies for holding or issuing financial instruments and the strategies for achieving the objectives of the two Groups were different. The policies in place during the year for both Groups are detailed below.

**BHP Billiton Plc financial risk strategy**

Primary responsibility for identification and control of financial risks rested with the Financial Risk Management Committee ("FRMC").

The FRMC, which met monthly, received reports on, amongst other matters: financing requirements both for existing operations and new capital projects; assessments of risks and rewards implicit in requests for financing; and reports on market forecasts for interest rates, currency movements and commodity prices, including analysis of sensitivities. In addition, the FRMC received reports on the various risk exposures of the BHP Billiton Plc Group.

On the basis of this information, the FRMC determined the degree to which it was appropriate to use financial instruments, commodity contracts, other hedging instruments (or other methods such as insurance or risk sharing arrangements) or other techniques to mitigate the identified risks. The main risks for which such instruments may be appropriate are interest rate risk, liquidity risk, foreign currency risk and commodity price risk, each of which is described below. In addition, where risks could be mitigated by insurance then the FRMC decided whether such insurance was appropriate and cost-effective. Its decisions could be implemented directly by group management or could be delegated from time to time to be implemented by the management of the production operations.

The BHP Billiton Plc Group's projects were sufficiently diverse that their impact on the BHP Billiton Plc Group's overall risk profile could be significant and it was not appropriate to establish umbrella policies in respect of risks. The BHP Billiton Plc Group's objective was therefore to maintain a flexible and responsive approach.

In addition, various financial instruments such as trade debtors, trade creditors and accruals arose directly from the BHP Billiton Plc Group's operations.

It was the BHP Billiton Plc Group's policy that no trading in financial instruments or commodity contracts should be undertaken.

**BHP Billiton Limited financial risk strategy**

The BHP Billiton Limited Group managed its exposure to price risk including interest rates, exchange rates, and commodity prices through a set of policies procedures and limits approved by the Board of Directors.

During the year ended 30 June 2001, the BHP Billiton Limited Group conducted a comprehensive review of its strategy in relation to price risks, including interest rates, exchange rates, commodity prices and disclosure of hedging positions. As a result of this review, a new approach to market risk management, Portfolio Risk Management, was announced in December 2000.

The objective of the new strategy was to support the delivery of the BHP Billiton Limited Group's financial targets while protecting its future financial security and flexibility.

The strategy entailed managing risk at the portfolio level through the adoption of a 'self insurance' model, by taking advantage of the natural hedges provided through the scale, diversity and flexibility of the portfolio as the principal means for managing risk.

There are two components to the Portfolio Risk Management strategy:

**Risk mitigation** - where risk is managed at the portfolio level within an approved Cashflow at Risk ("CFaR") framework to support the achievement of the BHP Billiton Limited Group's broader strategic objectives. The CFaR framework is a means to quantify the variability of the BHP Billiton Limited Group's cashflows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cashflows over a one-year horizon under normal market conditions at a confidence level of 95%. Cashflow is measured as earnings after interest, but before taxes, depreciation and amortisation.)

Where CFaR is within the Board approved CFaR limit, hedging activities are not undertaken. Hedge positions which existed on the announcement date in December 2000 will be allowed to run-off. There could be circumstances, such as following a major acquisition, when it becomes appropriate to mitigate risk in order to support the BHP Billiton Limited Group's broader strategic objectives. In such circumstances, the BHP Billiton Limited Group may execute hedge transactions. If required, hedging would be executed rateably across all risk categories where there was a liquid traded market.

**Strategic financial transactions** - opportunistic transactions to capture value from perceived market over/under valuations. These transactions occur on an infrequent basis and are treated separately to the risk mitigation transactions, with all gains and losses included in the profit and loss account at the end of each reporting period. These transactions are strictly controlled under a separate stop-loss and Value at Risk limit framework. There have been no strategic financial transactions undertaken to date.



## NOTES TO FINANCIAL STATEMENTS CONTINUED

**BHP Billiton Group risk exposures and responses**

The main financial risks are listed below along with the responses of the BHP Billiton Plc Group and the BHP Billiton Limited Group:

**Interest rate risk**

Corporate borrowing facilities and surplus funds of the BHP Billiton Plc Group have generally been at floating rates of interest. The benefits of fixing or capping interest rates on project financing to achieve greater predictability of cash flows have been considered and implemented on a project by project basis.

The BHP Billiton Limited Group was exposed to interest rate risk on its outstanding borrowings and investments. Interest rate risk was managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit. There were no individual hedging guidelines that apply to interest rate risk. When required hedging was undertaken through transactions entered into in interest rate markets. Interest rate and cross currency swaps were used for hedging purposes.

**Liquidity risk**

The BHP Billiton Plc Group raised a significant amount of cash in July 1997 and, in December 1997, secured a US\$1.5 billion revolving credit facility which is to be repaid in a bullet payment on 19 December 2004. In September 2000 a new US\$2 billion credit facility was arranged, of which US\$750 million was later cancelled. The credit facility includes two tranches (A and B). Tranche A amounts to US\$750 million for three years and is for general corporate expenses. Tranche B amounts to US\$500 million and is for one year for the acquisition and the refinancing of the existing debt of Rio Algom. In this overall context it was not necessary to actively manage the BHP Billiton Group's short-term liquidity risk and the BHP Billiton Group was able to balance the cost benefits of short-term borrowing against the need for securing further committed facilities. The prime consideration in the investment of cash was security over the asset and only counterparties of high credit standing were used. Sufficient liquid funds were maintained to meet daily cash requirements.

The BHP Billiton Limited Group liquidity risk for derivatives arose from the possibility that a market for derivatives might not exist in some circumstances. To counter this risk the BHP Billiton Limited Group only used derivatives in highly liquid markets.

Credit risk in relation to business trading activities arose from the possibility that customers might not be able to settle obligations to the BHP Billiton Limited Group within the normal terms of trade.

To manage this risk the BHP Billiton Limited Group periodically assessed the financial viability of customers. Selected receivables were covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and the Australian Export Finance and Insurance Corporation.

Credit risk for derivatives represented the risk of counterparties defaulting on their contractual derivative obligations and was managed by the application of credit approvals, limits and monitoring procedures.

The extent of the BHP Billiton Limited Group's combined trade and derivative credit risk exposure was represented by the aggregate of amounts receivable, reduced by the effects of any netting arrangement with financial institution counterparties.

The BHP Billiton Limited Group had no significant concentration of credit risk with any single customer or group of customers, and was not materially exposed to any individual industry.

**Currency risk**

The BHP Billiton Plc Group had potential currency exposures in respect of items denominated in foreign currencies comprising:

- transactional exposure in respect of operating costs, capital expenditures and, to a lesser extent, sales incurred in currencies other than the functional currency of operations and in respect of certain exchange control restrictions which required funds to be maintained in currencies other than the functional currency of operations; and
- translational exposures in respect of investments in overseas operations which had functional currencies other than dollars. When not in conflict with exchange control requirements, the BHP Billiton Plc Group's policy was to minimise translational exposure generally through borrowing in the relevant currency. On acquisition, the BHP Billiton Plc Group would generally look to ensure that this policy was followed as soon as possible, taking into account the cost of switching the currency of borrowings where necessary.

Currency risk in respect of non-functional currency expenditure was reviewed regularly by the FRMC and general guidance on the use of hedges, using foreign exchange contracts or options, was updated regularly for implementation at production unit level. No fixed policy applied and the FRMC took all current factors into account in its updates. Any individually significant non-functional currency expenditure, such as major capital projects, was considered separately by the FRMC.

The BHP Billiton Limited Group was exposed to exchange rate transaction risk on foreign currency sales and purchases. The most significant exchange rate risk was the anticipated US dollar receipts of Australian based entities with Australian dollar functional currencies. Foreign exchange risk was managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit. There were no individual hedging guidelines that applied to foreign exchange risk.

When required, hedging was undertaken through transactions entered into in foreign exchange markets. Forward exchange contracts and currency option contracts had been used for hedging purposes.

NOTES TO FINANCIAL STATEMENTS CONTINUED

In addition to transactional exposures related to sales and purchases, the BHP Billiton Limited Group had interest bearing liabilities denominated in foreign currencies. The BHP Billiton Limited Group had a natural hedge between net foreign assets and interest bearing liabilities in certain currencies. If circumstances arose that rendered the natural hedge deficient, then specific hedging utilising cross currency swaps might occur. This generally resulted in shifting the foreign currency exposure to an Australian dollar exposure.

**Commodity price risk**

The BHP Billiton Plc Group was exposed to movements in the prices of the products it produced which were generally sold as commodities on the world market. The BHP Billiton Plc Group did, however, have a natural hedge against movements in the aluminium price, as a proportion of its operating costs were linked to the LME aluminium price.

Strategic hedging of the price of the BHP Billiton Plc Group's production or operating costs was undertaken from time to time. All such hedging programmes were approved by the FRMC.

The BHP Billiton Limited Group was exposed to price risk on the commodities that it produces. The most significant commodity price risk was copper. Commodity price risk was managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit. There were no individual hedging guidelines that applied to commodity price risk. Hedging was undertaken through transactions entered into in the forward markets of the respective commodities, including both exchange traded and over the counter markets.

**BHP Billiton Group financial risk strategy**

Subsequent to the DLC merger, a new integrated policy for the management of market risks across the BHP Billiton Group is in the process of being developed. This policy will provide guidelines for the management of all market risks, including foreign exchange, commodities and interest rates. Details of the completed policy will be approved by the Board of Directors and advised to stakeholders as appropriate.

The following describes the BHP Billiton Group's financial instruments and how its policies have been applied during the period. Short-term debtors and creditors (other than short-term loans) are excluded from the numerical disclosures below with the exception of the currency risk disclosures.

**Financial liabilities – interest rate and currency profile**

The currency and interest rate profile of the financial liabilities of the BHP Billiton Group as at 30 June 2001 is as follows:

	Fixed rate 2001 US\$m	Floating rate 2001 US\$m	Interest free 2001 US\$m	Total 2001 US\$m	Fixed rate 2000 US\$m	Floating rate 2000 US\$m	Interest free 2000 US\$m	Total 2000 US\$m
Currency								
US \$	1 450	3 953	12	5 415	952	1 950	23	2 925
SA Rand	195	367	108	670	310	312	210	832
Australian \$	1 276	457	6	1 739	2 188	765	70	3 023
Canadian \$	232	33	-	265	-	111	-	111
Other	440	101	-	541	521	148	-	669
	3 593	4 911	126	8 630	3 971	3 286	303	7 560

The figures shown in the table above take into account interest rate and currency swaps used to manage the interest rate and currency profile of financial liabilities.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

The floating rate financial liabilities principally comprise bank loans and overdrafts bearing interest at various rates set with reference to the prevailing LIBOR or equivalent for that time period and country.

The increase in financial liabilities relates principally to additional debt raised by the BHP Billiton Plc Group in association with acquisitions during the year. In accordance with its policy, this debt bearing interest at floating rates has increased the proportion of debt bearing interest at floating rates.

On 23 December 1994, the BHP Billiton Plc Group entered into an interest rate cap agreement maturing 21 September 2001. As at 30 June 2001 the notional amount of debt still covered by the cap

was US\$11 million. The interest is capped at 8.5%, and the value of the cap at the period end was zero.

Two further interest rate cap agreements, covering US\$62.5 million of debt each and capping interest at 6.3% matured in June 2001.

The weighted average interest rate of fixed rate liabilities and the weighted average maturity period of fixed rate and interest-free liabilities respectively which are shown in the table below take into account various interest rate and currency swaps used to manage the interest rate and currency profile of financial liabilities.

	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years	Weighted average period to maturity of the interest- free liabilities Years	Weighted average fixed interest rate %	Weighted average period for which rate is fixed Years	Weighted average period to maturity of the interest- free liabilities Years
	2001	2001	2001	2000	2000	2000
Currency						
US \$	8	11	2	8	14	4
SA Rand	13	7	14	12	6	1
Australian \$	8	2	8	7	2	3
Canadian \$	6	1	-	-	-	-
Other	7	3	-	8	4	-
	8	6	2	8	6	2

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Financial assets – interest rate and currency profile**

The currency and interest rate profile of the BHP Billiton Group's financial assets is as follows:

	Fixed rate 2001 US\$m	Floating rate 2001 US\$m	Non-interest bearing 2001 US\$m	Total 2001 US\$m	Fixed rate 2000 US\$m	Floating rate 2000 US\$m	Non-interest bearing 2000 US\$m	Total 2000 US\$m
Currency								
US \$	81	1 222	452	1 755	-	975	80	1 055
SA Rand	27	107	242	376	25	132	227	384
Australian \$	14	51	331	396	13	308	529	850
Canadian \$	-	20	20	40	-	28	20	48
Other	-	146	9	155	-	126	16	142
	122	1 546	1 054	2 722	38	1 569	872	2 479

Included within the non-interest bearing category are the interest free portions of loans to joint ventures of US\$215 million (2000 - US\$210 million), fixed asset investments of US\$473 million (2000 - US\$290 million), other current asset investments of US\$83 million (2000 - US\$2 million) and certain other non-current debtors of US\$283 million (2000 - US\$370 million). Items included within this category are generally intended to be held for periods greater than five years.

The floating rate financial assets earn interest at various rates set with reference to the prevailing LIBOR or equivalent.

Surplus BHP Billiton Plc Group funds have been invested on a fixed deposit/call basis in US dollars with banks which have a minimum A rating and which are members of the BHP Billiton Plc Syndicate of Banks. The US\$850 million proceeds from the equity fund raising in September 2000 was used to fund acquisitions during the current year. Cash held by the BHP Billiton Limited Group has been invested on an at call or fixed basis, or in short dated securities, in various currencies including US dollars, Canadian dollars and Australian dollars, with counterparties which have a minimum A-2 short term rating. Credit limits are in place for each counterparty and the maturity profile of the investments was restricted to a maximum of three months.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Currency risk**

The table below shows the extent to which BHP Billiton Group companies have monetary assets and liabilities in currencies other than their functional currencies. Foreign exchange differences on retranslation of such assets and liabilities are taken to the profit and loss account.

	Net foreign currency monetary assets/(liabilities)					
	US\$ 2001 US\$m	A\$ 2001 US\$m	C\$ 2001 US\$m	SA Rand 2001 US\$m	Other 2001 US\$m	Total 2001 US\$m
Functional currency of Group operation						
US \$	-	(194)	(246)	(1 343)	(306)	(2 089)
Australian \$	321	-	-	5	167	493
Canadian \$	22	-	-	-	69	91
STG	37	-	-	-	2	39
Other	7	1	-	-	-	8
	<b>387</b>	<b>(193)</b>	<b>(246)</b>	<b>(1 338)</b>	<b>(68)</b>	<b>(1 458)</b>

	Net foreign currency monetary assets/(liabilities)					
	US\$ 2000 US\$m	A\$ 2000 US\$m	C\$ 2000 US\$m	SA Rand 2000 US\$m	Other 2000 US\$m	Total 2000 US\$m
Functional currency of Group operation						
US \$	-	(207)	-	(1 394)	(179)	(1 780)
Australian \$	368	-	-	3	255	626
Canadian \$	18	-	-	-	18	36
STG	45	-	-	-	3	48
Other	8	2	-	-	-	10
	<b>439</b>	<b>(205)</b>	<b>-</b>	<b>(1 391)</b>	<b>97</b>	<b>(1 060)</b>

The amounts shown in the above table take into account the effect of any forward foreign currency contracts entered into to manage these currency risks.

The South African Rand monetary liabilities above include the financing for the construction of BHP Billiton Group's Aluminium South Africa's Hillside smelter which were raised in a variety of currencies, including US dollar and the deutschmark.

As a result of South African exchange control regulations, the borrowings are covered forward by foreign currency contracts, and are therefore treated as synthetic Rand borrowings.

In addition substantial portions of the non-functional currency liabilities of US dollar functional currency operations relate to provisions for deferred taxation and site rehabilitation.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Liquidity exposures**

	Bank loans, debentures and other loans 2001 US\$m	Obligations under finance leases 2001 US\$m	Subsidiary preference shares 2001 US\$m	Other creditors 2001 US\$m	Total 2001 US\$m
The maturity profile of the Group's financial liabilities is as follows:					
In one year or less or on demand	1 719	10	356	-	2 085
In more than one year but not more than two years	1 007	8	86	15	1 116
In more than two years but not more than five years	3 361	12	448	7	3 828
In more than five years	1 566	33	-	2	1 601
	<b>7 653</b>	<b>63</b>	<b>890</b>	<b>24</b>	<b>8 630</b>

	Bank loans, debentures and other loans 2000 US\$m	Obligations under finance leases 2000 US\$m	Subsidiary preference shares 2000 US\$m	Other creditors 2000 US\$m	Total 2000 US\$m
In one year or less or on demand	1 543	14	926	-	2 483
In more than one year but not more than two years	652	3	435	26	1 116
In more than two years but not more than five years	1 752	26	102	-	1 880
In more than five years	2 032	38	-	11	2 081
	<b>5 979</b>	<b>81</b>	<b>1 463</b>	<b>37</b>	<b>7 560</b>

	2001 US\$m	2000 US\$m
Loans falling due after more than five years are repayable as follows:		
By instalments	528	377
Not by instalments	1 038	1 655
	<b>1 566</b>	<b>2 032</b>

The aggregate amount of loans repayable by instalments and for which at least one instalment falls due after 5 years is US\$978 million (2000 - US\$869 million).

At 30 June 2001 borrowings of US\$292 million (2000 - US\$516 million) and US\$982 million (2000 - US\$873 million) due within and after more than one year respectively were secured on assets of the BHP Billiton Group.

**Borrowing facilities**

The maturity profile of the BHP Billiton Group's undrawn committed facilities is as follows:

	2001 US\$m	2000 US\$m
Expiring in one year or less	492	529
Expiring in more than two years	2 266	2 008
	<b>2 758</b>	<b>2 537</b>

Certain of the BHP Billiton Group's borrowing facilities are subject to financial covenants. The most severe restrictive covenants, which relate to two facilities totalling US\$2 750 million

(US\$1 400 million drawn at 30 June 2001), require that the ratio of debt to shareholders' funds does not exceed 100% and that interest cover does not fall below 2.5 times.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Fair value of financial instruments**

The following table presents the book values and fair values of the BHP Billiton Group's financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and

exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the BHP Billiton Group could realise in the normal course of business.

The fair value of the BHP Billiton Group's financial instruments is as follows:

	2001		2000	
	Book value US\$m	Fair value US\$m	Book value US\$m	Fair value US\$m
<i>Primary and derivative financial instruments held or issued to finance the BHP Billiton Group's operations:</i>				
Short-term borrowings	(2 145)	(2 162)	(2 489)	(2 489)
Long-term borrowings and other creditors	(6 886)	(6 921)	(5 295)	(5 340)
Cross currency contracts - principal	375	375	205	205
- interest rate	-	45	-	(10)
Finance lease swap	26	34	19	30
Interest rate swaps	-	9	-	10
	(8 630)	(8 620)	(7 560)	(7 594)
Cash and money market deposits	1 285	1 285	1 431	1 431
Loans to joint ventures and associates	438	438	262	262
Current asset investments	215	237	111	111
Fixed asset investments (excluding investment in own shares)	473	483	290	290
Investment in exploration companies (refer note 14)	-	5	-	5
Other debtors to be settled in cash	311	276	385	325
<i>Derivative financial instruments held to hedge the BHP Billiton Group's exposure on expected future sales and purchases:</i>				
Forward commodity contracts	-	10	-	(78)
Forward foreign currency contracts	-	(615)	1	(386)
	(5 908)	(6 501)	(5 080)	(5 634)

Foreign currency assets and liabilities that are hedged using currency contracts are translated at the forward rate inherent in the contract. As a result, the net book value of the relevant asset or liability effectively includes an element of the fair value of the hedging instrument. For the purposes of the disclosures in the table above, the book value of the relevant asset or liability is shown excluding the effect of the hedge, and the balance of the net book value is allocated to the currency contracts.

Fixed asset investments above includes the investment in Sweet River Investments Limited which effectively provides the BHP Billiton Group with a 2.1 per cent interest in CVRD through Valepar SA. The fair value of this investment takes into account a put option over the Valepar SA shares.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Hedging of financing activities****Forward foreign currency swaps**

Included in the book value of forward foreign currency contracts is US\$62 million (2000 - US\$60 million) which are linked to short-term and long-term borrowings in respect of Billiton Aluminium South Africa's Hillside smelter with a book value of US\$218 million (2000 - US\$274 million) which, as a result of South African exchange restrictions, are together treated as synthetic Rand borrowings. In future periods the profit and loss account will reflect exchange differences arising on the synthetic Rand borrowings. The fair value disclosures relating only to the forward currency contract element of the synthetic debt have been calculated by reference to the forward rates that may be available if similar contracts were to be negotiated today.

**Cross currency interest rate swaps (CCIRS)**

The BHP Billiton Limited Group has a natural hedge between net foreign assets and interest bearing liabilities in certain currencies.

If circumstances arise that render the natural hedge deficient, then specific hedging utilising cross currency interest rate swaps may occur. The interest rate swap component of cross currency interest rate swaps operates in a similar manner to interest rate swaps.

**Interest rate swaps**

The BHP Billiton Limited Group uses interest rate swaps to convert a floating rate exposure to a fixed rate exposure or vice versa. The BHP Billiton Limited Group notionally pays fixed (floating) rate and receives floating (fixed) rate interest amounts which offset the interest amounts due on the underlying floating (fixed) rate exposure. Consequently, from an interest rate risk viewpoint, the BHP Billiton Limited Group's exposure is on the fixed obligation of an interest rate swap.

**Finance lease swap**

Included within the book value of short and long term liabilities are finance leases which have been swapped from a fixed interest rate to a floating interest rate and from a ten year term to a five year term. The book value of these leases is US\$25 million (2000 - US\$38 million). The effect of the swap is to match the initial lease obligation by receiving payments over a ten year period at a fixed rate and making payments on a floating rate over five years. For the purpose of the disclosures, the book value of the finance leases is shown as it would be excluding the effect of the finance lease swap and the balance of the book value is allocated to the finance lease swap. The fair value disclosures relate only to the swapped components and reflect the fact that the swap receivable is subject to a fixed rate.

	Forward currency swaps US\$m	CCIRS interest component US\$m	Interest rate swaps US\$m	Finance lease swap US\$m
Unrecognised gains at 1 July 2000	14	(24)	10	11
Gains arising in previous years recognised in the period	(4)	-	(2)	(2)
Gains arising before 30 June 2000 not included in the result for the year	10	(24)	8	9
Gains/losses arising in the year and not recognised	3	56	1	(1)
<b>Unrecognised gains at 30 June 2001</b>	<b>13</b>	<b>32</b>	<b>9</b>	<b>8</b>
<i>of which:</i>				
Gains expected to be recognised within one year	3	5	-	2
Gains expected to be recognised after one year	10	27	9	6
	<b>13</b>	<b>32</b>	<b>9</b>	<b>8</b>



## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Other hedging**

As described above, from time to time the BHP Billiton Group hedges the following risks using derivative financial instruments:

- Commodity sales prices. Strategic price hedges are taken out from time to time.
- Input costs. Operating companies hedge non-functional currency operating costs at varying degrees. In addition, strategic hedges of Aluminium input costs are taken out from time to time.

- Capital costs. Non-functional currency capital costs are hedged using forward foreign currency contracts to varying degrees.
- Exchange rates. The BHP Billiton Group has certain hedges in place to mitigate the transaction risk of non-functional currency income and expenditure.

Cumulative aggregate unrecognised gains and losses on the instruments used for hedging, and the movements therein, are as follows:

	Gains US\$m	Losses US\$m	Net gains/ (losses) US\$m
Unrecognised gains/(losses) at 1 July 2000	17	(481)	(464)
(Gains)/losses arising in previous years recognised in the period	(14)	273	259
Gains/(losses) arising before 30 June 2000 not included in the result for the year	3	(208)	(205)
Gains/(losses) arising in the year and not recognised	7	(407)	(400)
<b>Unrecognised gains/(losses) at 30 June 2001</b>	<b>10</b>	<b>(615)</b>	<b>(605)</b>
<i>of which:</i>			
Gains/(losses) expected to be recognised within one year	9	(327)	(318)
Gains/(losses) expected to be recognised after one year	1	(288)	(287)
	<b>10</b>	<b>(615)</b>	<b>(605)</b>

The unrecognised losses relate predominantly to currency hedges taken out by the BHP Billiton Limited Group. Those hedges were taken out prior to the Portfolio Risk Management policy implementation to cover, predominantly, sales revenue denominated in US dollars.

The tables below provide information about the principal currency hedge contracts which have not been recognised in the financial statements:

Term	Weighted average A\$/US\$ exchange rate		Contract amounts	
	2001	2000	2001 US\$m	2000 US\$m
Forward contracts - sell US dollars/buy Australian dollars				
Not later than one year	<b>0.6884</b>	0.6963	<b>1 140</b>	1 351
Later than one year but not later than two years	<b>0.6572</b>	0.6884	<b>910</b>	1 140
Later than two years but not later than three years	<b>0.6170</b>	0.6572	<b>360</b>	910
Later than three years but not later than four years	-	0.6170	-	360
Total	<b>0.6650</b>	0.6759	<b>2 410</b>	3 761

Term	Weighted average A\$/US\$ exchange rate		Weighted average A\$/US\$ exchange rate		Contract amounts	
	2001		2000		2001	
	A\$ Call options	A\$ Put options	A\$ Call options	A\$ Put options	2001 US\$m	2000 US\$m
Foreign exchange options - sell US dollars/buy Australian dollars						
Not later than one year	<b>0.6260</b>	<b>0.6503</b>	0.6583	0.6259	<b>590</b>	480
Later than one year but not later than two years	<b>0.6126</b>	<b>0.6612</b>	0.6789	0.6503	<b>180</b>	230
Later than two years but not later than three years	-	-	0.6912	0.6612	-	60
Total	<b>0.6227</b>	<b>0.6542</b>	0.6668	0.6357	<b>770</b>	770

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>21 Provisions for liabilities and charges</b>	Employee entitlements US\$m	Restructuring US\$m	Resource rent tax US\$m	Site rehabilitation US\$m	Post retirement medical benefits (note 27) US\$m	Deferred tax US\$m	Other US\$m	Total US\$m
At 1 July 2000	750	553	284	861	105	1 343	152	4 048
Prior period adjustment	-	-	-	-	-	294	-	294
At 1 July 2000 (restated)	750	553	284	861	105	1 637	152	4 342
Amounts capitalised	-	-	-	170	-	-	-	170
Disposals	(74)	(9)	-	(13)	-	(31)	(5)	(132)
On acquisition of subsidiaries	1	-	-	68	41	89	7	206
Charge/(credit) for the year	194	48	591	39	6	(217)	415	1 076
HBI Venezuela guarantee (refer notes 2 and 14)	-	-	-	-	-	-	(310)	(310)
Discounting	-	-	-	39	-	-	-	39
Exchange variation	(75)	(26)	(100)	(76)	-	(138)	(12)	(427)
Utilisation	(193)	(67)	(580)	(40)	(8)	-	(57)	(945)
<b>At 30 June 2001</b>	<b>603</b>	<b>499</b>	<b>195</b>	<b>1 048</b>	<b>144</b>	<b>1 340</b>	<b>190</b>	<b>4 019</b>

Provision is made for site rehabilitation and decommissioning costs relating to a number of BHP Billiton Group companies. These are expected to be incurred over the next thirty years. The provision is calculated on the basis of the discounted value of the amounts estimated to be spent at the end of the life of the operations.

Restructuring provisions include costs for redundancies, site rehabilitation, business terminations and associated contract cancellations. Liabilities recognised mainly reflect the following:

- (i) North American Copper: In June 1999, BHP Billiton Limited announced that cessation of its North American Copper operations would occur in the August quarter of 1999. These assets continue on care and maintenance for a transitional period while closure options and other alternatives are simultaneously evaluated. The remaining provisions relate to site remediation which will take place over a significant number of years. Formal closure plans are being developed and will be submitted in accordance with local regulatory timetables. The expenditure will be incurred after the closure plans have been approved. Approval is anticipated in the next 3 - 5 years.

- (ii) Newcastle Steelworks: In September 1999, BHP Billiton Limited closed its Newcastle primary steelmaking facilities. Provisions have been made based on proposed site remediation plans. The provisions are consistent with current negotiations with the New South Wales Government in relation to remediation requirements.

- (iii) Beenup Titanium Mineral Mine: In February 1999, BHP Billiton Limited announced the closure of the Beenup mine. In November 1999, the West Australian Government approved the Rehabilitation Plan for Beenup Mine Closure. The plan is currently being implemented.

It is anticipated expenditure of approximately US\$130 million will be incurred in the year ending 30 June 2002 in respect of restructuring liabilities.

The provision for employee entitlements includes applicable amounts for annual leave and associated on-costs. It is anticipated expenditure of approximately US\$180 million will be incurred in the year ending 30 June 2002.



NOTES TO FINANCIAL STATEMENTS CONTINUED

**BHP Billiton Limited Employee Share Plan Options**

Options to acquire ordinary shares in BHP Billiton Limited were outstanding under the terms of the plan as follows:

	Number of ordinary shares	Weighted average effective exercise price per share A\$
At 1 July 2000	87 252 127	7.93
Granted during the period	15 244 568	9.13
Exercised during the period	(16 104 063)	7.59
Lapsed during the period	(11 769 108)	7.73
<b>At 30 June 2001</b>	<b>74 623 524</b>	<b>7.93</b>

Subject to satisfaction of performance conditions, options outstanding at 30 June 2001 were exercisable as follows:

	Shares subject to option at 30 June 2001	Effective exercise price per share A\$	Exercise period
December 2000	3 444 587	9.41	July 2003 - Dec 2010
December 2000	2 316 010	9.40	July 2003 - Dec 2010
November 2000	1 607 680	8.97	July 2003 - Oct 2010
November 2000	7 716 246	8.96	July 2003 - Oct 2010
April 2000	61 953	8.29	April 2003 - April 2010
April 2000	937 555	8.29	April 2003 - April 2010
December 1999	413 020	9.30	April 2002 - April 2009
December 1999	309 765	8.19	April 2002 - April 2009
October 1999	103 255	8.26	April 2002 - April 2009
October 1999	74 344	8.26	April 2002 - April 2009
July 1999	206 510	8.29	April 2002 - April 2009
April 1999	26 041 530	7.62	April 2002 - April 2009
April 1999	12 713 065	7.61	April 2002 - April 2009
April 1998	305 635	7.14	April 2001 - April 2003
April 1998	191 022	7.13	April 2001 - April 2003
November 1997	1 280 569	7.53	Nov 2000 - Nov 2002
November 1997	3 488 986	7.53	Nov 2000 - Nov 2002
October 1997	6 892 271	7.42	Oct 2000 - Oct 2002
October 1997	4 378 012	7.42	Oct 2000 - Oct 2002
July 1997	413 020	9.18	July 2000 - July 2002
July 1997	574 098	9.19	July 2000 - July 2002
October 1996	455 355	7.53	Oct 1999 - Oct 2001
October 1996	699 036	7.53	Oct 1999 - Oct 2001
	<b>74 623 524</b>		

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**BHP Billiton Limited Performance Share Plan**

Under the plan, Performance Rights are granted to executive officers requiring the trustee of a special purpose trust to acquire BHP Billiton Limited ordinary shares on behalf of the executive upon fulfilment of prescribed performance hurdles or completion of a service condition. The trustee acquires shares either by purchase on the market or by subscription with funds provided by BHP Billiton Limited. Subject to satisfaction of performance or service conditions, rights to ordinary shares were outstanding under the terms of the plan as follows:

	Number of ordinary shares
At 1 July 2000	1 652 080
Granted during the period	4 530 879
On OneSteel spin-out	58 900
Exercised during the period	(426 320)
<b>At 30 June 2001</b>	<b>5 815 539</b>

Subject to satisfaction of performance or service conditions,  
Performance Rights were exercisable as follows:

Date of grant	Shares subject to Performance Rights at 30 June 2001	Exercise period
December 2000	387 601	July 2003 - Dec 2010
November 2000	4 143 278	July 2003 - Dec 2010
March 1999	1 284 660	Mar 1999 - Mar 2009
	5 815 539	

## NOTES TO FINANCIAL STATEMENTS CONTINUED

	Group		BHP Billiton Plc	
	Share premium account US\$m	Profit & loss account US\$m	Share premium account US\$m	Profit & loss account US\$m
<b>23 Reserves</b>				
At 1 July 2000	27	6 013	27	1 206
Prior year adjustment (refer Accounting Policies)	-	(215)	-	-
At 1 July 2000 (restated)	27	5 798	27	1 206
Retained profit/(loss) for the year	-	775	-	(81)
Premium on issue of ordinary shares for cash	565	-	565	-
Transfer to profit and loss account for year (goodwill)	-	4	-	-
Gain on shares issued under the share repurchase scheme	-	76	-	-
Exchange variations	-	(104)	-	-
<b>At 30 June 2001</b>	<b>592</b>	<b>6 549</b>	<b>592</b>	<b>1 125</b>

Cumulative goodwill set off against reserves on acquisitions prior to 1 July 1998 amounts to US\$761 million (2000 - US\$765 million after restatement).

## NOTES TO FINANCIAL STATEMENTS CONTINUED

	Group		BHP Billiton Plc	
	2001 US\$m	2000 US\$m	2001 US\$m	2000 US\$m
<b>24 Reconciliation of movements in shareholders' funds</b>				
Profit for the financial period	<b>1 529</b>	1 506	<b>197</b>	182
Other recognised gains and losses	<b>(763)</b>	(502)	-	-
Total recognised gains and losses	<b>766</b>	1 004	<b>197</b>	182
Dividends	<b>(754)</b>	(788)	<b>(278)</b>	(240)
Issue of ordinary shares for cash	<b>744</b>	257	<b>656</b>	-
Share repurchase scheme	<b>194</b>	(2)	-	-
Capital reduction on OneSteel spinout (refer note 25)	<b>(650)</b>	-	-	-
Transfer to profit and loss account for year (goodwill)	<b>4</b>	-	-	-
Net movement in shareholders' funds	<b>304</b>	471	<b>575</b>	(58)
Shareholders' funds at start of period (as restated - refer Accounting Policies)	<b>11 036</b>	10 565	<b>2 302</b>	2 360
Shareholders' funds at end of period	<b>11 340</b>	11 036	<b>2 877</b>	2 302

BHP Billiton Plc entered into an arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Strand Investment Holdings Limited) established for that purpose. 53 884 402 ordinary shares were purchased in the two years ended to 30 June 2000 at an aggregate purchase price of US\$118 million, which were funded by the BHP Billiton Group. The cost of purchasing these shares was deducted from shareholders' funds. There was no intention to trade these shares and no dividends were paid in respect of them outside the BHP Billiton Group. Normally, the Companies Act 1985 requires

that interests in own shares be included in the balance sheet as an asset. However, in this case the Directors considered that the arrangements were such that the shares owned by Strand Investment Holdings Limited had effectively been repurchased by the BHP Billiton Group and so did not constitute an asset of the BHP Billiton Group and that to show them as such would fail to show a true and fair view. During the year ended 30 June 2001 these shares were reissued and no shares were held by Strand Investment Holdings Limited at that date.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**25 Significant acquisitions and disposals****Acquisitions****(a) Rio Algom**

In October 2000 the BHP Billiton Group acquired 100 per cent of the equity shares of Rio Algom Limited for a cash consideration of US\$1 187 million. The BHP Billiton Limited Group's share of the net assets acquired was US\$1 136 million giving rise to positive goodwill of US\$51 million.

	Book value US\$m	Adjustment of accounting policies US\$m	Provisional fair value adjustments US\$m	Provisional fair value US\$m
Intangible fixed assets	19	-	(19)	-
Tangible fixed assets	1 170	(529)	371	<b>1 012</b>
Investments	221	317	44	<b>582</b>
Stocks	289	(25)	-	<b>264</b>
Debtors	130	64	-	<b>194</b>
Cash including money market deposits	158	(27)	-	<b>131</b>
Creditors - amounts falling due within one year	(324)	79	-	<b>(245)</b>
Creditors - amounts falling due after more than one year	(414)	(230)	(21)	<b>(665)</b>
Provisions for liabilities and charges	(132)	3	(8)	<b>(137)</b>
Net assets acquired	1 117	(348)	367	<b>1 136</b>

Accounting policy changes relate to the application of UK generally accepted accounting principles in respect of proportionately consolidated operations, fixed asset investments and securities included in shareholders' funds which have been reclassified as joint ventures, associates and debt respectively.

The provisional fair value adjustments to tangible fixed assets and investments principally relate to other mineral assets; the adjustments reflect the difference between book values (after adjusting to the BHP Billiton Group's accounting policies) and the net present value of the projected cash flows from the acquired mineral reserves.

Due to the complexity and timing of this acquisition, the fair values currently established are provisional and are subject to review during the year ending 30 June 2002.



## NOTES TO FINANCIAL STATEMENTS CONTINUED

**(b) Dia Met Mineral Limited**

In June 2001 the BHP Billiton Limited Group acquired an 89.36% interest in Dia Met Minerals Limited (the company's principal asset is a 29% joint venture interest in the Ekati™ diamond mine) for a cash consideration of US\$386 million (including deferred consideration of US\$6 million).

	Book value US\$m	Adjustment of accounting policies US\$m	Provisional fair value adjustments US\$m	Provisional fair value US\$m
Tangible fixed assets	174	5	356	535
Investments	-	-	-	-
Stocks	25	-	-	25
Debtors	3	-	-	3
Cash including money market deposits	15	-	-	15
Creditors - amounts falling due within one year	(78)	-	-	(78)
Provisions for liabilities and charges	(62)	(7)	-	(69)
	77	(2)	356	431
Equity minority interests				(45)
Net assets acquired				386

Accounting policy changes relate to the application of UK generally accepted accounting principles in respect of site restoration.

The provisional fair value adjustments to tangible fixed assets relate to other mineral assets and reflect the difference between book values (after adjusting to the BHP Billiton Group's

accounting policies) and the net present value of the projected cash flows from the acquired mineral reserves.

Due to the timing of this acquisition, the fair values currently established are provisional and are subject to review during the year ending 30 June 2002.

**Disposals****Spin-out of steel business**

The long products steel business was spun out with effect from 31 October 2000 as OneSteel Limited. The spin-out was effected by way of a capital reduction of A\$0.66 per BHP Billiton Limited share. As a result of this transaction, contributed equity was reduced by US\$650 million including the costs of the capital

reduction amounting to US\$30 million. The spin-out resulted in BHP Billiton Limited shareholders being issued one OneSteel Limited share for every four shares held in BHP Billiton Limited.

	US\$m
Intangible fixed assets	64
Tangible fixed assets	717
Investments	73
Stocks	289
Debtors	122
Cash including money market deposits	57
Creditors - amounts falling due within one year	(167)
Creditors - amounts falling due after more than one year	(385)
Provisions for liabilities and charges	(130)
less equity minority interests	(20)
Net assets spun-out	620

## NOTES TO FINANCIAL STATEMENTS CONTINUED

<b>26 Commitments</b>	Group	
	2001 US\$m	2000 US\$m
Contracted capital expenditure	<b>1 434</b>	594

The BHP Billiton Group has commitments under operating leases to make payments totalling US\$286 million in the next year as follows:

	2001 US\$m	2000 US\$m
<b>Land and buildings</b>		
Leases which expire:		
Within one year	<b>3</b>	5
Between two and five years	<b>16</b>	23
Over five years	<b>17</b>	18
	<b>36</b>	46
<b>Other operating leases</b>		
Leases which expire:		
Within one year	<b>148</b>	159
Between two and five years	<b>47</b>	56
Over five years	<b>55</b>	60
	<b>250</b>	275

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**27 Pensions and post-retirement medical benefits**

The BHP Billiton Group operates or participates in a number of pension schemes throughout the world. The more significant schemes relate to businesses in Australia, South Africa, Canada and the US.

The pension charge for the year is as follows:

	2001 US\$m	2000 US\$m
<b>Defined contribution schemes</b>	<b>66</b>	45
<b>Industry-wide schemes</b>	<b>21</b>	25
<b>Defined benefit schemes</b>		
Regular cost	48	111
Variation cost	(13)	(22)
Interest cost	4	-
	<b>126</b>	159

To the extent that there is a difference between pension cost and contributions paid, a prepayment or creditor arises.

The accumulated difference provided in the balance sheet at 30 June 2001 gives rise to a prepayment of US\$191million (2000 - prepayment of US\$208 million).

The assets of the defined contribution schemes are held separately in independently administered funds. The charge in respect of these schemes is calculated on the basis of contributions due in the financial year.

The industry-wide schemes in South Africa are accounted for on the basis of contributions due in the financial year.

The remaining pension schemes are defined benefit schemes. Some of the defined benefit schemes have their assets held separately in independently administered funds and others are unfunded. The pension costs and funding for these schemes are assessed in accordance with the advice of professionally qualified actuaries based on the most recent actuarial valuations available.

The actuarial valuations for SSAP 24 purposes determined pension costs using the projected unit method for most schemes. There are exceptions for some schemes that are closed to new members where the attained age method was used. The assumptions used varied by scheme. For the purposes of calculating the accounting charge, surpluses or deficiencies will be recognised through the variation cost component in future accounting periods as a level per centage of payroll.

Of the significant funded schemes there were 12 with funding levels ranging from 71 per cent to 167 per cent. These funding levels are based on a mix of market values and actuarial values of the assets. At the date of the most recent actuarial valuations, the combined market value of these schemes' assets was US\$1 217 million.

For the four largest schemes, the main economic assumptions used, market and actuarial value of assets and funding levels at the respective dates of the most recent formal actuarial valuations are as follows:

	BHP Superannuation Fund	Rio Algom Salaried Plan	Rio Algom Inc Metals Distribution Retirement Plan	Billiton International Metals Pension Fund
Country	Australia	Canada	USA	Netherlands
Date of valuation	1 July 2000	31 Dec 1999	31 Dec 1999	31 Dec 2000
Investment return	9.0 %	6.5 %	7.75 %	4 %
Salary growth	6.0 %	5.0 %	5.0 %	0 %
Pension increases	0 %	0 %	0 %	0 %
Asset valuation method	Market value	3 year trend value	Market value	Market value
Market value of fund (US\$ million)	801	77	66	54
Actuarial value of fund (US\$ million)	801	77	66	54
Funding level	120 %	135 %	104 %	115 %

## NOTES TO FINANCIAL STATEMENTS CONTINUED

The BHP Billiton Group provides healthcare benefits, which are not pre-funded, for retired employees and their dependants in South Africa, the US, Canada and Suriname. The post retirement benefit charge, net of employees' and retirees' contributions paid, in respect of these benefits was US\$6 million (2000 - US\$5 million) including exchange variations of US\$9 million (2000 - US\$11 million).

The charge has been calculated in accordance with UK applicable accounting standards. Where there is a surplus or deficiency between the accrued liability and the provision recorded, the resulting amount is spread forward over future working lifetimes through the variation cost component as a level per centage of payroll. The main actuarial assumptions used in the most recent actuarial valuations of these benefits are as follows:

	South Africa	US	Canada	Suriname
Ultimate healthcare inflation rate	8 %	5.5 %	3 %	5 %
Discount rate	12 %	7.75 %	6.5 %	6.5 %

#### FRS17 Retirement Benefits

Whilst the SSAP24 disclosure and measurement principles have been applied in accounting for pensions and post-retirement medical benefits in these financial statements, FRS 17 "Retirement benefits" introduces new disclosure requirements for the first time. The aim of FRS 17 is to move from a long term approach under SSAP24 to a market-based approach in valuing the assets and liabilities arising from an employer's retirement benefit obligations and any related funding.

The changes in accounting required to move from a SSAP24 basis to a market value basis under FRS 17 are substantial.

FRS 17 permits these new disclosure and measurement principles to be phased in over a three year period such that this year BHP Billiton Plc is required to provide solely only balance sheet disclosures illustrating the pensions assets and liabilities that would have been booked had the measurement principles of FRS 17 been applied. The disclosures required by FRS 17 in the first transitional year of adoption are set out below.

The BHP Billiton Group operates a number of defined benefit schemes in Australia, Canada, the US, Europe and South Africa. Full actuarial valuations were carried out as at 30 June 2001 for many of them by local actuaries. For a minority of plans it has been necessary to roll forward liabilities calculated using earlier data. The major assumptions used by the actuary ranged from:

	Australia	Canada	US	Europe	South Africa
Salary increases	4 %	3.5 %	5 %	2% to 6 %	7 %
Pension increases	0 %	0 %	0 %	2% to 2.75 %	3.25% to 3.5 %
Discount rate	5.5 %	6.5 %	7.75 %	6 %	8.25% to 8.5 %
Inflation	3 %	2 %	4 %	2% to 2.75 %	6 %

The fair market value of the assets of the main defined benefit schemes at 30 June 2001 were:

	Australia US\$m	Canada US\$m	US US\$m	Europe US\$m	South Africa US\$m
Bonds	175	56	29	25	26
Equities	361	43	45	20	72
Property	47	-	-	-	-
Cash and net current assets	-	15	3	3	15
Total assets	583	114	77	48	113
Actuarial liabilities	(588)	(86)	(81)	(75)	(71)
Unrecognised surplus	-	(12)	-	-	-
Surplus (deficit)	(5)	16	(4)	(27)	42
Related deferred tax (liability)/asset	2	(7)	1	8	(13)
Net pension asset/(liability)	(3)	9	(3)	(19)	29

## NOTES TO FINANCIAL STATEMENTS CONTINUED

The BHP Billiton Group also operates a number of other post retirement benefit arrangements in South Africa, the US, Canada and Suriname. Full actuarial valuations were carried out as at 30 June 2001 for many of them by local actuaries. For a minority of plans it has been necessary to roll forward liabilities calculated using earlier data. The major assumptions used by the actuary ranged from:

	South Africa	US	Canada	Suriname
Ultimate healthcare inflation rate	8 %	5.5 %	3 %	5 %
Discount rate	12 %	7.75 %	6.5 %	6.5 %

The actuarial liabilities of the post-retirement schemes at 30 June 2001 were:

	South Africa US\$m	US US\$m	Canada US\$m	Suriname US\$m
Present value of scheme liabilities	(94)	(29)	(27)	(18)
Deficit	(94)	(29)	(27)	(18)
Related deferred tax asset	28	12	12	7
Net post-retirement liability	(66)	(17)	(15)	(11)

<b>28 Reconciliation of operating profit to net cash inflow from operating activities</b>	<b>2001</b> <b>US\$m</b>	<b>2000</b> <b>(restated)</b> <b>US\$m</b>
Operating profit	<b>3 178</b>	1 943
Proceeds from gas sales contract renegotiation	-	146
Merger transaction costs	<b>(92)</b>	-
Payments relating to HBI Venezuela guarantee	<b>(310)</b>	-
Depreciation and amortisation	<b>1 672</b>	1 748
Impairment	<b>34</b>	695
Employee share awards	<b>46</b>	10
Net exploration charge	<b>250</b>	216
Loss on sale of fixed assets	<b>21</b>	2
Decrease in stocks	<b>41</b>	111
Increase in debtors	<b>(141)</b>	(16)
Other increase/(decrease) in creditors	<b>115</b>	(144)
Increase/(decrease) in provisions	<b>28</b>	(278)
Other movements	<b>(37)</b>	11
Net cash inflow from Group operating activities	<b>4 805</b>	4 444

## NOTES TO FINANCIAL STATEMENTS CONTINUED

	2001 US\$m	2000 US\$m
<b>29 Returns on investments and servicing of finance</b>		
Interest paid	(587)	(699)
Dividends paid on redeemable preference shares	(69)	(47)
Interest received	132	95
Other dividends received	39	23
Dividends paid to minorities	(50)	(34)
Net cash outflow from returns on investments and servicing of finance	(535)	(662)

	2001 US\$m	2000 US\$m
<b>30 Capital expenditure and financial investment</b>		
Purchases of tangible fixed assets	(3 038)	(1 483)
Exploration expenditure	(341)	(261)
Disposals of tangible fixed assets	339	482
Purchase of investments	(469)	(173)
Sale of investments	82	165
Net cash outflow from capital expenditure and financial investment	(3 427)	(1 270)

	2001 US\$m	2000 US\$m
<b>31 Acquisitions and disposals</b>		
Investment in subsidiaries	(1 567)	(8)
Sale of subsidiaries	372	483
Net cash acquired with subsidiary	117	-
Cash transferred on disposal	(61)	(25)
Investment in joint ventures	(690)	(109)
Disposal of joint venture	193	8
Net cash outflow for acquisitions and disposals	(1 636)	349

	2001 US\$m	2000 US\$m
<b>32 Management of liquid resources</b>		
Decrease/(increase) in money market deposits	242	(252)
Net cash inflow/(outflow) from management of liquid resources	242	(252)

## NOTES TO FINANCIAL STATEMENTS CONTINUED

	2001 US\$m	2000 US\$m
<b>33 Financing</b>		
Redeemable preference shares	(425)	(484)
Finance lease obligations	(4)	(35)
Debt due within one year – repayment of loans	(668)	(416)
Debt due within one year – drawdowns	849	396
Debt due after one year – repayment of loans	(998)	(2 473)
Debt due after one year – drawdowns	2 072	1 363
Net cash inflow/(outflow) from debt	826	(1 649)
Share repurchase scheme	194	(2)
Issue of shares	743	134
Net cash inflow/(outflow) from financing	1 763	(1 517)

	At 1 July 2000 US\$m	Acquisitions & disposals US\$m	Cash flow US\$m	Other non-cash movements US\$m	Exchange movements US\$m	At 30 June 2001 US\$m
<b>34 Analysis of movements in net debt</b>						
Cash at bank and in hand	708	85	128	-	(85)	836
Overdrafts	(158)	(29)	(156)	-	56	(287)
	550	56	(28)	-	(29)	549
Redeemable preference shares	(1 463)	-	425	-	148	(890)
Finance lease obligations	(81)	-	4	-	14	(63)
Other debt due within one year	(1 385)	(365)	(181)	(178)	677	(1 432)
Other debt due after one year	(4 436)	(300)	(1 074)	178	(302)	(5 934)
	(7 365)	(665)	(826)	-	537	(8 319)
Money market deposits	723	-	(242)	-	(32)	449
Total	(6 092)	(609)	(1 096)	-	476	(7 321)
The balance sheet movement in cash including money market deposits is as follows:						
Cash at bank and in hand	708	85	128	-	(85)	836
Money market deposits	723	-	(242)	-	(32)	449
	1 431	85	(114)	-	(117)	1 285

Money market deposits with financial institutions have a maturity of up to three months.

### 35 Related parties

BHP Billiton Group companies have trading relationships with a number of joint ventures of the BHP Billiton Group. In some cases there are contractual arrangements in place which require the BHP Billiton Group companies to source supplies from such undertakings or which require such undertakings to source supplies from the BHP Billiton Group companies. In the year ended 30 June 2001, sales made by BHP Billiton Group entities to such joint ventures amounted to US\$226 million (2000 - US\$331 million) and purchases amounted to US\$2 million (2000 - US\$2 million).

Amounts owing between the BHP Billiton Group and joint ventures are disclosed in notes 14, 16, 18 and 19.

All transactions with joint ventures are undertaken on an arms length basis.

Two Directors, Mr Gilbertson and Mr Davis (resigned 29 June 2001), were granted options to purchase properties owned by the BHP Billiton Group which they occupy rent free at open market value at the time the option is exercised. The option period will expire on 6 October 2001.

Mr Davis has indicated that he will exercise the option granted to him.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**36 Contingent liabilities****BHP Billiton Group****Guarantees**

The BHP Billiton Group has guaranteed borrowings of joint ventures and associates of US\$568 million (2000 - US\$545 million). Other guarantees given by BHP Billiton Group companies amounted to US\$447 million (2000 - US\$556 million).

**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 Gagarimabu 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. OTML and BHP Billiton Limited assert that there has been no breach of the settlement agreement and are defending 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.

**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 A\$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.



## NOTES TO FINANCIAL STATEMENTS CONTINUED

An amount of A\$79 million was paid in 1992 and up to 2001 was accounted for as a debtor. At 30 June 2001, the accounts have been adjusted to include a tax expense of A\$63 million (US\$33 million) relating to refusal of the High Court to grant leave to appeal on the deductibility of financing costs. A debtor of A\$16 million (US\$8 million) will be carried forward.

In July 2001, the outstanding balance of A\$150 million was paid. This amount will also be recorded as a non-current asset in the 2002 fiscal year. This together with the A\$16 million (US\$8 million) carried forward from the 2001 year represents the tax and interest in dispute in relation to the 1985 assessment.

**BHP Billiton Plc**

BHP Billiton Plc has guaranteed certain financing facilities available to subsidiaries. At 30 June 2001 such facilities totalled US\$2 750 million (2000 - US\$1 500 million) of which US\$1 400 million (2000 - US\$350 million) was drawn.

Under the terms of a deed poll guarantee BHP Billiton Plc has also guaranteed certain current and future liabilities of BHP Billiton Limited. At 30 June 2001 the guaranteed liabilities amounted to US\$3 267 million.

## SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

### 37 Pro forma financial information under US generally accepted accounting principles

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United Kingdom, which differ in certain material respects from generally accepted accounting principles in the US.

Under US GAAP, the DLC merger is accounted for as a purchase business combination of BHP Billiton Plc by BHP Billiton Limited. Under UK GAAP the DLC merger is accounted for by the merger method of accounting (similar to pooling of interests). The adjustment to US GAAP involves determination of an imputed purchase consideration and fair value adjustments to the assets and liabilities of the BHP Billiton Plc Group. Deferred tax must be provided on all fair value adjustments to tangible assets on acquisition with a consequential increase in the amount allocated to intangible assets. Purchase business combination costs which have been included in the profit and loss account under UK GAAP have been capitalised and incorporated in the purchase consideration for US GAAP purposes.

As the DLC merger was consummated on 29 June 2001, under US GAAP the profit and loss accounts for the two years ended 30 June 2001 would include the results of the BHP Billiton limited Group only.

In order to illustrate the impact of the DLC merger under US GAAP, presented below is a reconciliation of the UK GAAP attributable profit for each of the two years ended 30 June 2001 to a pro forma US GAAP net income prepared on the basis that the DLC merger had occurred on 1 July 1999. Also presented is a reconciliation of the UK GAAP shareholders' funds to shareholders' funds under US GAAP at 30 June 2001.

The purchase accounting incorporated in the US GAAP reconciliation presented below is preliminary pending completion of comprehensive fair value determinations. Any impact on the reconciliations of pro forma net income arising from the final purchase price allocation cannot presently be quantified.

The pro forma consolidated financial information does not include any realisation of cost savings from operating efficiencies, synergies or other restructurings resulting from the transaction and does not contemplate the liabilities that may be incurred in any related restructurings. In addition, management of the BHP Billiton Group is in the process of assessing and formulating integration plans, which are expected to include employee separations, elimination of duplicative facilities, employee relocations and other restructuring actions. Also, the consolidated financial information does not reflect the impact of any potential sale of acquired assets. In addition, no adjustment has been made to exclude merger costs of US\$55 million from the pro forma net income under US GAAP for the year ended 30 June 2001. These were the costs incurred by the BHP Billiton Plc Group during that year. No such costs are reflected in the pro forma net income under US GAAP for the year ended 30 June 2000 and these costs will not be reflected in the reported net income under US GAAP for the year ending 30 June 2002.

During the year ended 30 June 2001, BHP Billiton Limited adopted a new accounting policy relating to decommissioning and site restoration for the purposes of UK and US GAAP. Under UK GAAP, the cumulative effect of the policy change at 1 July 1999 is reflected as a restatement of shareholders' funds at that date and the profit and loss accounts for the two years ended 30 June 2001 are presented on the basis of the revised policy.

Under US GAAP, the cumulative effect of the policy change at 30 June 2001 is reflected in the profit and loss account for that year and the profit and loss account for the year ended 30 June 2000 is presented on the basis of the old policy. A US GAAP adjustment is recorded in this regard.

Certain additional disclosures that would normally accompany this reconciliation were it being prepared in the context of a filing with the United States Securities and Exchange Commission have been omitted.

Reconciliation of consolidated profit and loss account	Notes	2001 US\$m	2000 US\$m
Attributable profit as reported under UK GAAP		1 529	1 506
Pro forma US GAAP adjustments:			
Amortisation of BHP Billiton Plc purchase premium	(i)	(272)	(254)
Employee compensation costs	(ii)	(116)	-
Asset write-downs	(iii)	-	(891)
Hedge accounting	(iv)	(56)	3
Other	(vi)	9	33
Deferred taxation on effect of US GAAP adjustments		87	356
Effect on equity minority interests of US GAAP adjustments		5	9
Pro forma net income under US GAAP before cumulative effect of change in accounting policy		1 186	762
Pro forma cumulative effect of change in accounting policy for derivatives and hedging activities, net of tax		1	-
Pro forma cumulative effect of change in accounting policy for restoration and rehabilitation, net of tax		29	-
Pro forma net income under US GAAP after cumulative effect of change in accounting policy		1 216	762

# SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS

## (UNAUDITED) CONTINUED

Reconciliation of consolidated shareholders' funds	Notes	2001 US\$m
Shareholders' funds as reported under UK GAAP		11 340
US GAAP adjustments:		
Purchase premium on acquisition of BHP Billiton Plc	(i)	6 550
Asset write-downs	(iii)	173
Hedge accounting	(iv)	(624)
Pension plans	(v)	(114)
Other	(vi)	(244)
Deferred taxation on effect of US GAAP adjustments		(465)
Effect on minority interests of US GAAP adjustments		(9)
Shareholders' funds under US GAAP		16 607

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates of revenue and expenses. Accounting estimates have been employed in these financial statements to determine reported amounts, including realisability, useful lives of tangible and intangible assets, income taxes and other areas. Actual results could differ from those estimates.

Differences in accounting treatment between UK and US GAAP which have a significant effect on the BHP Billiton Group are noted below:

(i) Purchase premium on acquisition of BHP Billiton Plc

Under UK GAAP, the merger of BHP Billiton Plc and BHP Billiton Limited is accounted for using merger accounting principles. Under US GAAP, the merger is accounted for using the purchase method of accounting, where BHP Billiton Limited is the deemed acquirer. For US GAAP purposes, fair values have been estimated on a provisional basis which has resulted in a purchase premium which is being amortised in accordance with the BHP Billiton Group's normal policies.

(ii) Employee compensation costs

Under US GAAP, compensation expense arising from variable share option and Performance Rights plans is recognised based on movements in intrinsic value. Changes to the exercise terms for certain shares and options arising from the OneSteel spin-out caused the related plan to become variable. This change required recognition of an expense for the movement in intrinsic value since grant date.

(iii) Asset write-downs

Under UK GAAP, where a fixed asset appears to have been impaired and its book value exceeds the greater of its net realisable value and the discounted estimated future cash flows it will generate, a provision for the amount of the difference is recorded. Under US GAAP, such a provision would only be recorded where the estimated future cash flows it will generate on an undiscounted basis are less than book value. These differences created adjustments to the profit and loss accounts for earlier periods representing the lower charge to profit for the write-downs calculated under US GAAP. The charge to profit and loss account for the pro forma year to 30 June 2000 under US GAAP reflects the write-off of the West Australian HBI plant which had been partially written off under UK GAAP in earlier periods.

Following assets write-downs in prior periods, the depreciation charge has been restated to reflect historical cost depreciation. Higher asset values under US GAAP are being depreciated in accordance with asset utilisation.

(iv) Hedge accounting

Under UK GAAP, a derivative financial instrument qualifies for hedge accounting on the basis of whether or not the instrument is designated as a hedge of an existing exposure or a firm commitment.

Under US GAAP, Statement of Financial Accounting Standard 133 (FAS 133) "Accounting for Derivative Instruments and Hedging Activities" has been issued and was adopted by the BHP Billiton Group with effect from 1 July 2000. This standard requires that all derivative instruments be recorded in the balance sheet as either an asset or liability measured at its fair value.

At the adoption date of FAS 133 on 1 July 2000, some of the BHP Billiton Group's derivatives did not qualify for hedge accounting and have thus been marked to market. This together with the fair valuation of derivative instruments which qualify as fair value hedge transactions and the associated hedged liabilities resulted in recognition of US\$1 million net of tax as the cumulative effect of a change in accounting principle.

As at 30 June 2001, some of the derivatives held by the BHP Billiton Group did not qualify for hedge accounting under US GAAP. These derivatives have been marked to market with the associated gains and losses recognised in the profit and loss account in the current period. Gains and losses on cash flow hedge transactions during the period to 30 June 2001 are taken to other comprehensive income and are reclassified into profit and loss in the same period the hedged transaction is recognised. Gains and losses on fair value hedge transactions during the period to 30 June 2001 continue to be taken to profit and loss in subsequent periods, as are offsetting gains and losses on hedged liabilities.

FAS 133 does not permit the hedging of transactions involving a company's shareholders' equity as permitted under UK GAAP and, accordingly, the result of the hedging of the BHP Billiton Plc share issue proceeds, which was recorded directly in reserves under UK GAAP, has been recognised in the profit and loss account under US GAAP.

FAS 133 requires that any component of the gain or loss which is deemed to be ineffective be taken to profit and loss immediately. Consequently, premiums paid for derivative instruments are taken to profit and loss at inception of the contract.

(v) Pension costs

The BHP Billiton Group recognises periodic pension cost based on actuarial advice in a manner similar to US GAAP. However, differences in the actuarial method used and the timing of recognition of expense components results in different periodic costs and pension assets or liabilities.

(vi) Other

Included within this category are minor adjustments relating to depreciation, start up costs, synthetic accounting, profits on the disposal of assets, employee entitlements, exploration costs and dividends.

# SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS

## (UNAUDITED) CONTINUED

### 38 Supplementary oil and gas information

#### Oil and gas reserves and production

##### Reserves

The BHP Billiton Group's estimates of its net proved reserves of crude oil, condensate, LPG and natural gas at 30 June 2001, 30 June 2000 and 1 July 1999 respectively, are set forth in the following tables. Proved reserves represent the estimated quantities of crude oil, condensate, LPG and natural gas which geological and engineering data demonstrates with reasonable certainty to be recoverable in future years from known reserves under existing economic and operating conditions, that is, prices and costs at the date the estimate is made. The reserve estimates

were subject to economic tests to demonstrate their commerciality under prices and costs ruling at the date at which the estimates were made.

Tabulated information on the BHP Billiton Group's reserves represents the BHP Billiton Group's net interest after deduction of royalties, fuel and flare.

The production figures in the reserves tables are after royalty, fuel and flare deductions and corrections to previous estimates.

<b>Proved developed and undeveloped oil, condensate and LPG reserves (a)</b>						
(millions of barrels)	<b>Australia</b>	<b>Asia</b>	<b>UK</b>	<b>Americas</b>	<b>Other (b)</b>	<b>Total</b>
Reserves at 1 July 1999	465.5	10.0	64.8	23.3	20.4	584.0
Improved recovery	-	-	-	-	-	-
Revisions of previous estimates	26.2	(0.2)	2.0	(0.1)	2.3	30.2
Extensions and discoveries	19.9	-	1.9	9.4	9.5	40.7
Purchase/sales of reserves	-	(8.7)	-	(0.1)	-	(8.8)
Production (c)	(73.3)	(1.1)	(10.8)	(3.9)	-	(89.1)
<b>Total changes</b>	<b>(27.2)</b>	<b>(10.0)</b>	<b>(6.9)</b>	<b>5.3</b>	<b>11.8</b>	<b>(27.0)</b>
Reserves at 30 June 2000	438.3	-	57.9	28.6	32.2	557.0
Improved recovery	0.4	-	-	-	-	0.4
Revisions of previous estimates	5.3	-	0.1	0.5	0.4	6.3
Extensions and discoveries	4.4	-	0.8	67.6	73.3	146.1
Purchase/sales of reserves	(0.9)	-	-	3.8	(18.3)	(15.4)
Production (c)	(70.7)	-	(12.2)	(4.2)	-	(87.1)
<b>Total changes</b>	<b>(61.5)</b>	<b>-</b>	<b>(11.3)</b>	<b>67.7</b>	<b>55.4</b>	<b>50.3</b>
<b>Reserves at 30 June 2001</b>	<b>376.8</b>	<b>-</b>	<b>46.6</b>	<b>96.3</b>	<b>87.6</b>	<b>607.3</b>

<b>Proved developed oil, condensate and LPG reserves (a)</b>						
(millions of barrels)	<b>Australia</b>	<b>Asia</b>	<b>UK</b>	<b>Americas</b>	<b>Other (b)</b>	<b>Total</b>
Reserves at 1 July 1999	327.2	8.6	48.5	14.5	-	398.8
Reserves at 30 June 2000	334.2	-	46.3	11.3	-	391.8
<b>Reserves at 30 June 2001</b>	<b>268.6</b>	<b>-</b>	<b>40.9</b>	<b>9.4</b>	<b>-</b>	<b>318.9</b>

(a) In Bass Strait, the North West Shelf and the North Sea, LPG is extracted separately from crude oil and natural gas.

(b) 'Other' consists of Algeria and Pakistan.

(c) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.

## SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS

(UNAUDITED) CONTINUED

<b>Proved developed and undeveloped natural gas reserves</b> (billions of cubic feet)	<b>Australia (a)</b>	<b>Asia (b)</b>	<b>UK</b>	<b>Americas</b>	<b>Other (c)</b>	<b>Total</b>
Reserves at 1 July 1999	3 828.9	-	844.7	125.2	-	4 798.8
Improved recovery	-	-	-	-	-	-
Revisions of previous estimates	280.5	-	7.3	-	-	287.8
Extensions and discoveries	196.4	-	-	35.2	10.2	241.8
Purchases/sales of reserves	-	-	(79.1)	(2.7)	-	(81.8)
Production (d)	(173.1)	-	(67.9)	(15.3)	-	(256.3)
<b>Total changes</b>	<b>303.8</b>	<b>-</b>	<b>(139.7)</b>	<b>17.2</b>	<b>10.2</b>	<b>191.5</b>
Reserves at 30 June 2000	4 132.7	-	705.0	142.4	10.2	4 990.3
Improved recovery	-	-	-	-	-	-
Revisions of previous estimates	73.1	-	(43.9)	(26.4)	(0.3)	2.5
Extensions and discoveries	27.8	-	-	38.5	5.1	71.4
Purchases/sales of reserves	-	-	-	6.1	-	6.1
Production (d)	(167.7)	-	(67.1)	(21.5)	(2.5)	(258.8)
<b>Total changes</b>	<b>(66.8)</b>	<b>-</b>	<b>(111.0)</b>	<b>(3.3)</b>	<b>2.3</b>	<b>(178.8)</b>
<b>Reserves at 30 June 2001</b>	<b>4 065.9</b>	<b>-</b>	<b>594.0</b>	<b>139.1</b>	<b>12.5</b>	<b>4 811.5</b>

<b>Proved developed natural gas reserves</b> (billions of cubic feet)	<b>Australia (a)</b>	<b>Asia (b)</b>	<b>UK</b>	<b>Americas</b>	<b>Other (c)</b>	<b>Total</b>
Reserves at 1 July 1999	2 349.7	-	612.8	116.5	-	3 079.0
Reserves at 30 June 2000	2 437.0	-	522.4	125.9	-	3 085.3
<b>Reserves at 30 June 2001</b>	<b>2 290.6</b>	<b>-</b>	<b>550.2</b>	<b>84.6</b>	<b>12.6</b>	<b>2 938.0</b>

- (a) Production for Australia includes gas sold as LNG.
- (b) 'Asia' consists of PNG, which had liquids reserves only, all of which were sold during 1999–2000.
- (c) 'Other' consists of Pakistan.
- (d) Production for reserves differs slightly from marketable production due to timing of sales and corrections to previous estimates.

## SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS (UNAUDITED) CONTINUED

### Capitalised costs incurred relating to oil and gas producing activities

The following table shows the aggregate capitalised costs relating to oil and gas producing activities and related accumulated depreciation, depletion and amortisation and impairments.

Capitalised cost	2001 US\$m
Unevaluated properties	272
Production properties	6 253
Total costs (a)	6 525
less accumulated depreciation, depletion and amortisation and impairments (a)	(3 052)
Net costs	3 473

(a) Includes US\$286 million attributable to prior year revaluations of fixed assets above historical costs and related accumulated amortisation thereof of US\$217 million in 2001.

### Costs incurred relating to oil and gas producing activities

The following table shows costs incurred relating to oil and gas producing activities (whether charged to expense or capitalised). Amounts shown include interest capitalised.

Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of

geological and geophysical activities and drilling of exploratory wells. Expenditure to drill and equip development wells and construct production facilities to extract, treat and store oil and gas are included in development costs.

	Australia 2001 US\$m	Americas 2001 US\$m	United Kingdom 2001 US\$m	Other 2001 US\$m	Total worldwide 2001 US\$m
Acquisitions of proved property	-	59	-	-	59
Acquisitions of unevaluated property	-	19	-	-	19
Exploration (a)	30	125	-	32	187
Development	106	110	60	125	401
	136	313	60	157	666

(a) Represents gross exploration expenditure.

## SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS

### (UNAUDITED) CONTINUED

#### Results of operations from oil and gas producing activities

The following information is similar to the disclosures in note 3 'Analysis by business segment' but differs in several respects as to the level of detail and geographic presentation. Amounts shown in the following table exclude interest income and borrowing costs, general corporate administrative costs and downstream processing of oil and gas into other products for resale. Petroleum general and administrative costs relating to oil and gas activities are included.

Income taxes were determined by applying the applicable statutory rates to pretax income with adjustments for permanent differences and tax credits. Certain allocations of tax provisions among geographic areas were necessary and are based on management's assessment of the principal factors giving rise to the tax obligation.

Revenues are reflected net of royalties but before reduction for windfall profit taxes (these are included in operating costs).

Revenues include sales to affiliates but amounts are not significant.

	Australia 2001 US\$m	Americas 2001 US\$m	United Kingdom 2001 US\$m	Other 2001 US\$m	Total worldwide 2001 US\$m
Oil and gas sales	2 411	214	516	5	3 146
Operating costs (a)	(762)	(76)	(122)	2	(958)
Exploration expenses	(31)	(106)	(1)	(27)	(165)
Depreciation, depletion and amortisation	(286)	(65)	(160)	(10)	(521)
Other, net	25	-	-	-	25
	1 357	(33)	233	(30)	1 527
Income taxes	(455)	34	(63)	5	(479)
Results of oil and gas producing activities (b)	902	1	170	(25)	1 048

(a) Includes Resource Rent Tax of US\$637 million.

(b) Amounts shown exclude general corporate overheads, interest income and borrowing costs, and downstream processing of oil and gas into products for resale and, accordingly, do not represent all of the operations attributable to the petroleum segment presented in note 3. There are no equity minority interests.

## SHAREHOLDER INFORMATION

## Twenty largest shareholders as at 29 August 2001

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

## Substantial shareholders

## BHP Billiton Plc

As at 29 August 2001, 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 an agreement to which Section 204 of the UK Companies Act 1985 applies.

## 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.



## SHAREHOLDER INFORMATION CONTINUED

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

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

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

## Dividend payments

If you wish to have your dividends paid directly into a bank or building society account please contact Lloyds Bank Registrar (United Kingdom) or Mercantile Registrars (South Africa) for a dividend mandate form, as appropriate.

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

## Dividend determination

The US dollar, in which the majority of the Group's sales are made, most reliably record the Group's global business performance and is BHP Billiton Group's main reporting currency. It is, therefore, the currency in which to determine dividends. BHP Billiton Plc dividends are declared in dollars and converted in sterling and rand at the exchange rates applicable two business days prior to announcement of dividends.

## Dividend payment in US dollars

Any shareholder wishing to receive their dividend payment in US dollars must write to the relevant Registrar to lodge their election at least four weeks prior to the record date. Any request to be paid in US dollars will remain in force until the payment of that dividend and will be irrevocable.

## Consolidation of share certificates

If your certificated ordinary shareholding is represented by several share certificates you may wish to have these replaced by one consolidated certificate. There is no charge to individuals for this service. You should send your share certificate to Lloyds Bank Registrar (United Kingdom) or Mercantile Registrars (South Africa), as appropriate.

## Change of Address

It is important that shareholders notify BHP Billiton Plc in writing immediately if there is a change to their registered address. For the protection of shareholders, instructions to BHP Billiton Plc needs to be in writing and directed to the relevant registrar.

## Stock Exchange Listings

BHP Billiton Plc is listed on stock exchanges in UK (London), South Africa (Johannesburg) and France (Paris).

## Annual General Meeting

The Annual General Meeting of BHP Billiton Plc will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London, SW1 on Friday October 19, 2001, commencing 10.30 am.

Details of the business of the meeting are contained in the separate Notice of Meeting enclosed with this Annual Report. Shareholders may also access proceedings via the website at [www.bhpbilliton.com](http://www.bhpbilliton.com)

## Enquiries

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

Shareholders may also telephone +44 (0) 20 7747 3800 or write to:

Manager Investor Relations

BHP Billiton Plc

1-3 Strand, London, WC2N 5HA United Kingdom

## Financial Calendar

### 2001 \*

#### 16 October

Annual General Meeting of BHP Billiton Limited – Melbourne, Australia

#### 19 October

Annual General Meeting of BHP Billiton Plc – London, United Kingdom

#### 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 subject to change