Part B is to be read in conjunction with Part A

BHP BILLITON GROUP

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2003

Contents

Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheets of the BHP Billiton Group (comprising BHP Billiton Plc, BHP Billiton Limited and their respective subsidiaries) as of June 30, 2003 and 2002, and the related consolidated statements of profit and loss, of total recognised gains and losses and of cash flows for each of the two years in the period ended June 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the BHP Billiton Group at June 30, 2003 and 2002, and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2003 in conformity with accounting principles generally accepted in the United Kingdom.

As discussed in the accounting principles, the Group changed its method of accounting for foreign exchange gains and losses on site restoration provisions in 2002.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of consolidated net income for each of the two years in the period ended June 30, 2003 and the determination of consolidated shareholders' equity at June 30, 2003 and 2002 to the extent summarised in Note 33 to the consolidated financial statements.

/s/ KPMG Audit Plc

KPMG Audit Plc
London
September 9, 2003

/s/ KPMG

KPMG
Melbourne
September 9, 2003

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
London
September 9, 2003

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers
Melbourne
September 9, 2003

Report of Independent Accountants

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

We have audited the accompanying consolidated statements of profit and loss, total recognised gains and losses and cash flows of the BHP Billiton Group for the year ended June 30, 2001. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of BHP Billiton Limited, which statements reflect total assets of A$29,187 million and A$29,344 million as of June 30, 2001 and June 30, 2000, respectively, and total revenues of A$22,479 million and A$21,924 million for each of the two years in the period ended June 30, 2001, which financial statements were prepared in accordance with Australian generally accepted accounting principles . Those statements were audited by other auditors, who have ceased operations, whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for BHP Billiton Limited, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts (including the conversion of the financial statements of BHP Billiton Limited to generally accepted accounting principles in the United Kingdom) and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, results of operations and cash flows of the BHP Billiton Group for the year ended June 30, 2001 in conformity with accounting principles generally accepted in the United Kingdom.

As stated in the accounting policies, on June 29, 2001 BHP Billiton Limited entered into a business combination with BHP Billiton Plc. The accompanying financial statements give retroactive effect to the merger of BHP Billiton Limited and BHP Billiton Plc and their respective subsidiaries (together "the BHP Billiton Group").

Generally accepted accounting principles in the United Kingdom vary in certain significant respects from generally accepted accounting principles in the United States of America. Application of generally accepted accounting principles in the United States of America ("U.S. GAAP") would have affected the results of operations of the BHP Billiton Group for the period ended June 30, 2001 to the extent summarised in Note 33 to the consolidated financial statements.

/s/ PricewaterhouseCoopers
PricewaterhouseCoopers
London
September 3, 2001 (except Note 33 as to which the date is March 22, 2002)

Independent Audit Report

To the members of BHP Billiton Limited:

Scope

We have audited the financial report of BHP Billiton Limited for the year ended 30 June 2001 and 30 June 2000 as set out on pages. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at 30 June 2001 and 30 June 2000 or from time to time during the financial years. The company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian and United States auditing standards, to provide reasonable assurance whether the financial report is free of material misstatement.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In our opinion, the financial report of BHP Billiton Limited is in accordance with:

(a) the Corporations Act (2001), including:

> (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and 30 June 2000 and of their performance for the years ended on those dates; and
>
> (ii) complying with Accounting Standards and the Corporations Regulations (2001); and

(b) other mandatory professional reporting requirements.

Reconciliation to United States Accounting Principles

Accounting practices used by BHP Billiton Limited in preparing the financial report conform with accounting principles generally accepted in Australia but do not conform with accounting principles generally accepted in the United States. A description of these differences and a complete reconciliation of consolidated net profit and total equity to accounting principles generally accepted in the United States is set forth in note 50. As explained in note 50, BHP Billiton Limited has given retroactive effect to the change in accounting for spin-off costs incurred in the spin-off of subsidiary companies.

/s/ Arthur Andersen
Arthur Andersen - Chartered Accountants

/s/ G A Hounsell
G A Hounsell – Partner

Dated at Melbourne this 3rd day of September 2001 (except with respect to the revision to note 50, as to which the date is the 22nd day of March 2002).

This audit report is a copy of the previously issued Arthur Andersen independent audit report and has not been reissued by Arthur Andersen. The financial report for BHP Billiton Limited for the year ended 30 June 2001 and 2000 prepared in accordance with Australian GAAP is not included separately in this filing.

Consolidated Profit and Loss Account

for the year ended 30 June 2003

	Notes	Continuing Operations US$M	2003 Discontinued Operations/ Exceptional items)(a) (notes 2,3) US$M	Total US$M
Turnover (including share of joint ventures and associates)				
Group production		**14 124**	**-**	**14 124**
Third party products	4	**3 382**	**-**	**3 382**
	4,5	**17 506**	**-**	**17 506**
less Share of joint ventures' and associates' turnover included above	4,5	**(1 898)**	**-**	**(1 898)**
Group turnover	5	**15 608**	**-**	**15 608**
Net operating costs	7	**(12 554)**	**-**	**(12 554)**
Group operating profit/(loss)		**3 054**	**-**	**3 054**
Share of operating profit/(loss) of joint ventures and associates (b)		**358**	**-**	**358**
Operating profit/(loss) (including share of profit of joint ventures and associates)		**3 412**	**-**	**3 412**
Comprising:				
Group production		**3 369**	**-**	**3 369**
Third party products	4	**43**	**-**	**43**
		3 412	**-**	**3 412**
Income from other fixed asset investments		**16**	**-**	**16**
Profit on sale of fixed assets		**46**	**-**	**46**
Profit on sale of operations		**7**	**-**	**7**
Loss on termination of operations (c)	2	**-**	**-**	**-**
Loss on sale of Discontinued Operations	2	**-**	**(19)**	**(19)**
Merger transaction costs	2	**-**	**-**	**-**
Profit/(loss) before net interest and similar items payable and taxation		**3 481**	**(19)**	**3 462**
Net interest and similar items payable				
Group	8	**(444)**	**-**	**(444)**
Joint ventures and associates	8	**(93)**	**-**	**(93)**
Profit/(loss) before taxation	4,5	**2 944**	**(19)**	**2 925**
Taxation	10	**(984)**	**-**	**(984)**
Profit/(loss) after taxation		**1 960**	**(19)**	**1 941**
Equity minority interests		**(40)**	**-**	**(40)**
Profit/(loss) for the financial year (attributable profit)		**1 920**	**(19)**	**1 901**
Dividends to shareholders	11	**(900)**	**-**	**(900)**
Retained profit/(loss) for the financial year	24	**1 020**	**(19)**	**1 001**
Earnings per ordinary share (basic) (US cents) (e)	12	**31**	**-**	**31**
Earnings per ordinary share (diluted) (US cents) (e)	12	**31**	**-**	**31**
Dividend per ordinary share (US cents)	11			**14.5**
Dividend per ordinary share (Australian cents) (d)	11			

The accompanying notes form part of these financial statements.

Consolidated Profit and Loss Account

for the year ended 30 June 2002

	Notes	Continuing Operations US$M	Exceptional items (note 2) US$M	2002 Continuing Operations including Exceptional items US$M	Discontinued Operations including exceptional items)(a) (note 3) US$M	Total US$M
Turnover (including share of joint ventures and associates)						
Group production		13 038	-	13 038	2 550	15 588
Third party products	4	2 190	-	2 190	-	2 190
	4,5	15 228	-	15 228	2 550	17 778
less Share of joint ventures' and associates' turnover included above	4,5	(1 666)	-	(1 666)	(206)	(1 872)
Group turnover	5	13 562	-	13 562	2 344	15 906
Net operating costs	7	(10 907)	(111)	(11 018)	(2 285)	(13 303)
Group operating profit/(loss)		2 655	(111)	2 544	59	2 603
Share of operating profit/(loss) of joint ventures and associates (b)		329	-	329	11	340
Operating profit/(loss) (including share of profit of joint ventures and associates)		2 984	(111)	2 873	70	2 943
Comprising:						
Group production		2 956	(111)	2 845	70	2 915
Third party products	4	28	-	28	-	28
		2 984	(111)	2 873	70	2 943
Income from other fixed asset investments		37	-	37	1	38
Profit on sale of fixed assets		13	-	13	15	28
Profit on sale of operations		68	-	68	-	68
Loss on termination of operations (c)	2	-	(101)	(101)	-	(101)
Loss on sale of Discontinued Operations	2	-	-	-	-	-
Merger transaction costs	2	-	-	-	-	-
Profit/(loss) before net interest and similar items payable and taxation		3 102	(212)	2 890	86	2 976
Net interest and similar items payable						
Group	8	(208)	-	(208)	(4)	(212)
Joint ventures and associates	8	(28)	-	(28)	(9)	(37)
Profit/(loss) before taxation	4,5	2 866	(212)	2 654	73	2 727
Taxation	10	(961)	(32)	(993)	3	(990)
Profit/(loss) after taxation		1 905	(244)	1 661	76	1 737
Equity minority interests		(39)	-	(39)	(8)	(47)
Profit/(loss) for the financial year (attributable profit)		1 866	(244)	1 622	68	1 690
Dividends to shareholders	11	(784)	-	(784)	-	(784)
Retained profit/(loss) for the financial year	24	1 082	(244)	838	68	906
Earnings per ordinary share (basic) (US cents) (e)	12	31	(4)	27	1	28
Earnings per ordinary share (diluted) (US cents) (e)	12	31	(4)	27	1	28
Dividend per ordinary share (US cents)	11					13.0
Dividend per ordinary share (Australian cents) (d)	11					

The accompanying notes form part of these financial statements.

Consolidated Profit and Loss Account

for the year ended 30 June 2001

	Notes	Continuing Operations US$M	Exceptional items (note 2) US$M	2001 Continuing Operations including exceptional items US$M	Discontinued Operations including exceptional items)(a) (notes 2,3) US$M	Total US$M
Turnover (including share of joint ventures and associates)						
Group production		13 838	-	13 838	3 214	17 052
Third party products	4	2 027	-	2 027	-	2 027
	4,5	15 865	-	15 865	3 214	19 079
less Share of joint ventures' and associates' turnover included above	4,5	(1 094)	-	(1 094)	(196)	(1 290)
Group turnover	5	14 771	-	14 771	3 018	17 789
Net operating costs	7	(11 766)	(38)	(11 804)	(2 807)	(14 611)
Group operating profit/(loss)		3 005	(38)	2 967	211	3 178
Share of operating profit/(loss) of joint ventures and associates (b)		279	(634)	(355)	2	(353)
Operating profit/(loss) (including share of profit of joint ventures and associates)		3 284	(672)	2 612	213	2 825
Comprising:						
Group production		3 239	(672)	2 567	213	2 780
Third party products	4	45	-	45	-	45
		3 284	(672)	2 612	213	2 825
Income from other fixed asset investments		28	-	28	4	32
Profit on sale of fixed assets		71	128	199	1	200
Profit on sale of operations		4	-	4	-	4
Loss on termination of operations (c)	2	-	(430)	(430)	-	(430)
Loss on sale of Discontinued Operations	2	-	-	-	-	-
Merger transaction costs	2	-	(92)	(92)	-	(92)
Profit/(loss) before net interest and similar items payable and taxation		3 387	(1 066)	2 321	218	2 539
Net interest and similar items payable						
Group	8	(392)	(6)	(398)	(15)	(413)
Joint ventures and associates	8	(49)	-	(49)	(14)	(63)
Profit/(loss) before taxation	4,5	2 946	(1 072)	1 874	189	2 063
Taxation	10	(902)	125	(777)	(34)	(811)
Profit/(loss) after taxation		2 044	(947)	1 097	155	1 252
Equity minority interests		(21)	302	281	(4)	277
Profit/(loss) for the financial year (attributable profit)		2 023	(645)	1 378	151	1 529
Dividends to shareholders	11	(754)	-	(754)	-	(754)
Retained profit/(loss) for the financial year	24	1 269	(645)	624	151	775
Earnings per ordinary share (basic) (US cents) (e)	12	34	(11)	23	3	26
Earnings per ordinary share (diluted) (US cents) (e)	12	34	(11)	23	3	26
Dividend per ordinary share (US cents)	11					12.0
Dividend per ordinary share (Australian cents) (d)	11					24.7

(a) Due to the demerger of the BHP Steel business in July 2002, BHP Steel's results have been reported as Discontinued Operations together with the results of the OneSteel business which was spun-off from BHP Billiton in October 2000. There are no exceptional items in net operating costs of Discontinued Operations for the year ended 30 June 2002. In the year ended 30 June 2001, included within operating costs is an exceptional charge of US$22 million (before tax) relating to restructuring costs and provisions for BHP Steel businesses. Net interest shown against Discontinued Operations includes that amount of net external interest that is directly attributable to the Discontinued Operations. Taxation is the nominal charge on the profit before taxation.

(b) 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$520 million).

(c) In the year ended 30 June 2001, the exceptional loss on termination of operations relates to the Ok Tedi copper mine.

(d) BHP Billiton Limited dividends for the year ended 30 June 2001 were declared in Australian cents. The amounts shown above are adjusted for the BHP Billiton Limited bonus issue effective 29 June 2001.

(e) Whilst the presentation of earnings per share excluding exceptional items is acceptable under UK GAAP, this presentation is not permitted under US GAAP. Profit and earnings per share before exceptional items are not measures of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP as a measurement of the BHP Billiton Group's profitability or liquidity. All registrants do not calculate profit and earnings per share before exceptional items in the same manner, and accordingly, profit and earnings per share before exceptional items may not be comparable with other registrants. Refer to note 2 for details of exceptional items excluded and to note 12 for details of the calculations.

The accompanying notes form part of these financial statements.

Consolidated Statement of Consolidated Gains and Losses
for the years ended 30 June 2003, 2002 and 2001

	Group			Joint ventures and associates			Total		
	2003	2002	2001	**2003**	2002	2001	**2003**	2002	2001
	US$M	US$M	US$M	**US$M**	US$M	US$M	**US$M**	US$M	US$M
Attributable profit for the financial year (a)	**1 737**	1 465	1 964	**164**	225	(435)	**1 901**	1 690	1 529
Exchange gains and losses on foreign currency net investments (b)	**67**	25	(712)	**-**	-	(51)	**67**	25	(763)
Total recognised gains for the financial year	**1 804**	1 490	1 252	**164**	225	(486)	**1 968**	1 715	766

Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Consolidated Statement of Total Recognised Gains and Losses for the years ending 30 June 2002 and 30 June 2001 include gains and losses pertaining to BHP Steel.

(a) Included in joint ventures' and associates' attributable profit is a profit of US$25 million (2002: US$26 million; 2001: US$12 million) relating to associated companies.

(b) Exchange gains and losses on foreign currency net investments include net exchange gains/(losses) on foreign currency borrowings, which hedge overseas investments, of US$7 million (2002: US$10 million; 2001: US$(90) million) and associated tax expense/(benefit) of US$2 million (2002: US$1 million; 2001: US$(40) million).

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

as at 30 June 2003 and 2002

	Notes	2003 US$M	2002 US$M
Fixed assets			
Intangible assets			
Goodwill	13	**36**	42
Negative goodwill	13	**(29)**	(33)
		7	9
Tangible assets	14	**19 809**	20 179
Investments			
Joint ventures - share of gross assets		**2 880**	2 902
Joint ventures - share of gross liabilities		**(1 477)**	(1 434)
	15	**1 403**	1 468
Associates	15	**-**	85
Loans to joint ventures and associates and other investments	15	**443**	987
Total fixed assets		**21 662**	22 728
Current assets			
Stocks	16	**1 379**	1 457
Debtors			
Amounts due within one year	17	**2 224**	2 554
Amounts due after more than one year	17	**1 405**	1 197
	17	**3 629**	3 751
Investments	18	**143**	117
Cash including money market deposits	28	**1 552**	1 499
Total current assets		**6 703**	6 824
Creditors - amounts falling due within one year	19	**(4 207)**	(6 229)
Net current assets		**2 496**	595
Total assets less current liabilities		**24 158**	23 323
Creditors - amounts falling due after more than one year	20	**(6 849)**	(5 987)
Provisions for liabilities and charges	21	**(4 978)**	(4 654)
Net assets		**12 331**	12 682
Equity minority interests		**(318)**	(326)
Attributable net assets		**12 013**	12 356
Capital and reserves			
Called up share capital - BHP Billiton Plc - nominal value US$0.50 each (2002 - US$0.50); 3 000 000 000 authorised (2002 – 3 000 000 000); 531 852 998 unissued (2002 – 680 852 115)	22	**1 234**	1 160
Share premium account	24	**518**	592
Contributed equity - BHP Billiton Limited – 3 747 687 775 issued (2002 – 3 724 893 687)	22	**1 785**	3 143
Profit and loss account	24	**8 496**	7 461
Interest in shares of BHP Billiton Plc (a)	25	**(20)**	-
Equity shareholders' funds	25	**12 013**	12 356
Commitments, Contingent liabilities	26,31		

Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Consolidated Balance Sheet as at 30 June 2002 includes BHP Steel assets and liabilities accordingly. (Refer note 3.)

(a) The interest in shares of BHP Billiton Plc held under the share repurchase scheme has been deducted from capital and reserves in order to show a true and fair view.

Consolidated Statement of Cash Flows

for the years ended 30 June 2003, 2002 and 2001

Notes	2003 US$M	2002 US$M	2001 US$M
Net cash inflow from Group operating activities (a)	**4 793**	4 605	4 816
Dividends received from joint ventures and associates	**197**	149	154
Interest paid	**(383)**	(496)	(587)
Dividends paid on redeemable preference shares	**(28)**	(35)	(69)
Interest received	**36**	156	132
Other dividends received	**15**	38	39
Dividends paid to minorities	**(38)**	(20)	(50)
Net cash outflow from returns on investments and servicing of finance	**(398)**	(357)	(535)
Taxes paid	**(1 002)**	(606)	(587)
Refund of taxes paid	**-**	91	-
Taxation	**(1 002)**	(515)	(587)
Available cash flow	**3 590**	3 882	3 848
Purchases of tangible fixed assets	**(2 571)**	(2 481)	(3 038)
Exploration expenditure	**(348)**	(390)	(341)
Disposals of tangible fixed assets	**99**	200	339
Purchase of investments and funding of joint ventures	**(95)**	(182)	(677)
Sale of investments and repayments by joint ventures (b)	**560**	232	82
Net cash outflow from capital expenditure and financial investment	**(2 355)**	(2 621)	(3 635)
Investment in subsidiaries	**-**	(45)	(1 567)
Demerger or sale of subsidiaries (b)	**358**	190	372
Net cash acquired with subsidiary	**-**	-	117
Cash transferred on demerger or disposal (b)	**(86)**	(45)	(61)
Investment in joint ventures	**-**	(208)	(482)
Disposal of joint ventures and associates	**133**	70	193
Net cash inflow/(outflow) from acquisitions and disposals	**405**	(38)	(1 428)
Net cash flow before equity dividends paid, management of liquid resources and financing	**1 640**	1 223	(1 215)
Equity dividends paid	**(830)**	(811)	(751)
Net cash flow before management of liquid resources and financing	**810**	412	(1 966)
Net cash (outflow)/inflow from management of liquid resources	**(665)**	157	242
Redeemable preference shares	**-**	(423)	(425)
Finance lease obligations	**-**	(28)	(4)
Debt due within one year - repayment of loans	**(2 683)**	(1 344)	(668)
Debt due within one year - drawdowns	**1 435**	1 657	849
Debt due after one year - repayment of loans	**(1 438)**	(2 722)	(998)
Debt due after one year - drawdowns	**2 263**	2 318	2 072
Net cash outflow from debt and finance leases	**(423)**	(542)	826
Share repurchase scheme - BHP Billiton Plc	**(20)**	-	194
Share buy-back program - BHP Billiton Limited	**-**	(19)	-
Issue of shares	**172**	140	732
Net cash inflow/(outflow) from financing	**(271)**	(421)	1 752
(Decrease)/increase in cash in the financial year	**(126)**	148	28

Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Consolidated Statement of Cash Flows for the years ended 30 June 2002 and 30 June 2001 include cash flows of BHP Steel.

Consolidated Statement of Cash Flows continued

for the years ended 30 June 2003, 2002 and 2001

	Notes	2003 US$M	2002 US$M	2001 US$M
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash in the financial year		**(126)**	148	28
Cash flow from debt and finance leases		**423**	542	(826)
Cash flow from management of liquid resources		**665**	(157)	(242)
Decrease/(increase) in net debt arising from cash flows		**962**	533	(1 040)
Increase in debt from acquisition and disposal of subsidiaries		**-**	-	(665)
Other non-cash movements	28	**232**	-	-
(Increase)/decrease in net debt from exchange adjustments	28	**(144)**	(34)	476
Decrease/(increase) in net debt		**1 050**	499	(1 229)
Net debt at beginning of the financial year	28	**(6 822)**	(7 321)	(6 092)
Net debt at end of the financial year	28	**(5 772)**	(6 822)	(7 321)

(a) Net cash inflow from Group operating activities

	2003 US$M	2002 US$M	2001 US$M
Operating profit	**3 054**	2 603	3 178
Depreciation and amortisation	**1 648**	1 727	1 672
Merger transaction costs	**-**	-	(92)
Payments relating to HBI Venezuela guarantee	**-**	-	(310)
Impairment of assets	**73**	119	34
Employee share awards	**60**	28	46
Net exploration charge	**248**	243	250
(Increase)/decrease in stocks	**(250)**	(11)	41
Increase in debtors	**(286)**	(382)	(130)
Increase in creditors	**69**	292	115
Increase/(decrease) in provisions	**192**	(49)	28
Other movements	**(15)**	35	(16)
Net cash inflow from Group operating activities	**4 793**	**4 605**	**4 816**

(b) The impact on the BHP Billiton Group's cash flows of the demerger of the BHP Steel business in July 2002 was a cash inflow of US$347 million. This represents US$294 million from the settlement by BHP Steel of intercompany loans, less US$22 million demerger transaction costs paid, which are both included in net cash inflow from acquisitions and disposals, and US$75 million from the sale of the 6 per cent interest in BHP Steel which is included in the sale of investments and repayments by joint ventures.

The accompanying notes form part of these financial statements.

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 asBHP 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 and its subsidiaries (the BHP Billiton Limited Group) 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 are 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.

If either BHP Billiton Plc or BHP Billiton Limited proposes to pay a dividend to its shareholders, then the other Company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either Company is prohibited by law or is otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then BHP Billiton Plc or BHP Billiton Limited will, so far as it is practicable to do so, enter into such transactions with each other as the Boards agree to be necessary or desirable so as to enable both Companies to pay dividends as nearly as practicable at the same time.

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 those of BHP Billiton Limited and its subsidiary companies in accordance with the requirements of s227(5) of the Companies Act 1985.

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.

The substance of the DLC merger of BHP Billiton Plc and BHP Billiton Limited required that merger accounting was applied in accounting for the combination.

This is because:

- No party has ever been portrayed as either the acquirer or the acquired, either by its own Board or management during the process;
- All the parties to the combination clearly participated, on a consensual basis, in establishing the management structure of and key positions in the combined entity;
- Neither party dominates the other and this has been borne out in practice since the merger;
- Consideration was wholly equity shares in the BHP Billiton Group; and
- Neither set of shareholders retained an interest in the future performance of only part of the combined Group.

Dual Listed Companies Structure and Basis of Preparation of Financial Statements continued

Subsequent events continue to bear this out:

- The initiation and continuation of the combined 'BHP Billiton' name, logo and trademarks as the approved nomenclature of the merged Group;
- The creation of a new Customer Sector Group segment structure within the BHP Billiton Group reflecting a new approach to management of customer-based groupings of assets, which reflects neither the previous approach of the BHP Billiton Plc Group nor the BHP Billiton Limited Group;
- Continuing Board rationalisation reflecting the equivalence of importance of each party to the merger; and
- No wholesale sale of assets from either side of the business with those assets combined at the time of the merger continuing to be the assets that underpin the BHP Billiton Group presently.

At the date of the merger, the interests of the shareholders of BHP Billiton Plc and BHP Billiton Limited in the BHP Billiton Group were 38.6 per cent and 61.4 per cent respectively. Whilst this might indicate that BHP Billiton Limited would dominatethe BHP Billiton Group, BHP Billiton rebuts the UK GAAP presumption of dominance on the grounds that the initial composition of the Board and the formally constituted Committees of the Board indicated that BHP Billiton Plc had a greater degree of influence than its proportion of voting rights would demand, and the Nominations Committee (which comprised two legacy BHP Billiton Limited Directors and two legacy BHP Billiton Plc Directors) effectively blocked the ability of the legacy BHP Billiton Limited Directors to alter the balance of legacy BHP Billiton Limited and BHP Billiton Plc Directors on the Board of the merged Group, at the expense of BHP Billiton Plc.

The Board is of the view that there has clearly been no dominance (or attempts to exert a dominant influence) in practice since the announcement of the merger. Actions since the merger continue to support the view that the substance of the transaction was that of a merger.

BHP Billiton Limited's plans for the business now referred to as BHP Steel were part of a strategy for its entire steel business. This had, prior to the DLC merger, included the spin-off of another part of the steel business, this was OneSteel (in October 2000), and the closure of a major steel works in Australia (in September 1999). BHP Billiton, in making the announcement about its plans for the demerger, did not make this a condition of merger nor was it a related arrangement. The shareholders of BHP Billiton Limited and BHP Billiton Plc were not asked to vote on the BHP Steel demerger at the time of the votes on the DLC merger. This demerger transaction was some way off at the time of merger and was conditional on shareholder votes by both BHP Billiton Limited and BHP Billiton Plc shareholders and the approval by the courts in Australia.

The demerger resulted in the shareholders of both BHP Billiton Plc and BHP Billiton Limited receiving their share of the value of BHP Steel upon demerger (albeit that the shareholders of BHP Billiton Plc received this in the form of a greater share of the remaining BHP Billiton Group and BHP Billiton Limited shareholders received it in the form of shares in BHP Steel). Both shareholder groups enjoyed the economic benefits of ownership of BHP Steel from the consummation of the merger to the date of demerger.

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, the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001 and the United Kingdom Companies Act 1985, except as described in note 25 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 BHP Billiton Plc, BHP Billiton Limited and their respective subsidiaries. Subsidiaries are entities controlled by either parent entity. Control generally exists where the parent owns a majority of voting rights in the subsidiary. 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 with those applied in the prior two years, except that with effect from 1 July 2001, the BHP Billiton Group has changed its accounting policy regarding the treatment of foreign exchange gains or losses on local currency site restoration provisions held in the accounts of entities using US dollar functional currencies. Under the previous policy, the foreign exchange gains and losses on site restoration provisions were recognised in the profit and loss account. Under the revised policy, such foreign exchange gains and losses are treated as part of the revision to the estimated future restoration cost and are included in the cost of tangible fixed assets. The revised policy has been adopted as it better matches the ultimate cost of site restoration charged in the profit and loss account to the profit earned. The impact in the year ended 30 June 2002 has been the capitalisation to tangible fixed assets of foreign exchange losses of US$40 million. The application of the revised policy to prior periods does not have a material impact on the comparative profit and loss account or balance sheet and no prior period adjustments have been made

A reconciliation of the major differences between the financial statements prepared under UK Generally Accepted Accounting Principles (GAAP) and those applicable under US GAAP is included in note 33.

Currency of presentation
All amounts are expressed in US dollars unless otherwise stated.

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. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity. A formal agreement between these venturers is not necessary to create joint control provided that in practice each relevant venturer's consent is required for strategic decisions.

The results of joint ventures are accounted for using the gross equity method of accounting. Under the gross equity method, the cost of the investment in the venture is adjusted by BHP Billiton Group's proportionate share of the results of operations of the venture.

Joint arrangements
The BHP Billiton Group has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the entity itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create an entity, such as a joint venture, due to the fact that the policies are those of the participants, not a separate 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.

Accounting Policies continued

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

Transactions denominated in foreign currencies (currencies other than the functional currency of the entity) 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. 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 profit and loss account, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration which are capitalised in tangible fixed assets.

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 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 effects, are also shown as a movement in reserves and in the statement of total recognised gains and losses.

Turnover
Turnover from the sale of goods is recognised when persuasive evidence, usually in the form of an executed sales agreement, of an arrangement exists indicating there has been a transfer of title, risks and rewards to the customer, no further work or processing is required by the BHP Billiton Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectibility is reasonably assured.

In the majority of sales for most commodities, sales agreements specify that title passes on the bill of lading date which is the date the commodity is delivered to the shipping agent. Revenue is recognised on the bill of lading date. For certain sales (principally coal sales to adjoining power stations and diamond sales), title passes and revenue is recognised when the goods have been delivered.

In cases where the terms of the executed sales agreement allows for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of a portion of the sales price as revenue is deferred at the time of shipment until a final adjustment is determined. Historically these adjustments have been insignificant.

Turnover is not reduced for royalties and other taxes payable from production.

The BHP Billiton Group differentiates sales of Group production from sales of third party product due to the significant difference in profit margin earned on these sales.

Exploration, evaluation and development expenditure
In respect of minerals, exploration and evaluation expenditure is charged to the profit and loss account as incurred except 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.

In respect of petroleum, exploration expenditure is accounted for in accordance with the successful efforts method on an area of interest basis where:

- Significant exploration licence acquisition costs are capitalised and amortised over the term of the licence, except for costs in new unexplored areas which are expensed as incurred;
- Administrative costs that are not directed to a specific area of interest are expensed in the year in which they are incurred;
- All other exploration expenditure is charged against the profit and loss account except where the expenditure relates to an area of interest and it is expected that the expenditure will be recouped by future exploitation or sale, or, at balance sheet date exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, in which case the expenditure is capitalised as a tangible fixed asset;• Exploratory wells that find oil and gas in an area requiring major capital expenditure before production can begin are continually evaluated to assure that commercial quantities of reserves have been found or that additional exploration work is underway or planned. To the extent it is considered that the relevant expenditure will not be recovered, it is written off; and
- When proved reserves of oil and natural gas are determined and development is sanctioned and completed, the relevant expenditure is amortised on a unit of production basis.

Accounting Policies continued

Deferred overburden removal costs
Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste, required to be removed to mine the ore. Deferral of costs to the balance sheet is made, where appropriate, when actual stripping ratios vary from average stripping ratios. Deferral of costs to the balance sheet is not made where ore is expected to be evenly distributed.

Costs, which have previously been deferred to the balance sheet (deferred overburden removal costs), are included in the profit and loss account on a unit of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of an income generating unit for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the income generating unit as a whole.

Research and development expenditure
Expenditure for research is included in the profit and loss account as and when incurred on the basis that continuing research is part of the overall cost of being in business. To the extent that future benefits deriving from development expenditure are expected beyond any reasonable doubt to exceed such expenditure, these costs are capitalised and amortised over the period of expected benefit.

Net interest cost
Net interest cost is generally expensed as incurred except where it relates to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalised up to the date when the asset is ready for its intended use. The amount of interest capitalised (gross of tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

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.

Fixed assets are assessed to ensure carrying values do not exceed estimated recoverable amounts. The carrying value of each income generating unit is reviewed at least annually to evaluate whether the carrying amount is recoverable. Assets may be reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded, and the asset written down, based upon the amount by which the asset carrying amount exceeds the higher of net realisable value and value in use. Value in use is generally determined by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. For the current year, the rates applied were between 12.9 per cent and 15.0 per cent. Future cash flows are estimated based on production and sales plans, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves, operating costs, reclamation costs and planned capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

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.

Mineral leases
The BHP Billiton Group's minerals leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

Accounting Policies continued

Depreciation, depletion and amortisation
The book value of tangible fixed assets (including the original capital expenditure 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 on a unit of production and/or straight-line basis as follows:

Buildings	25 to 50 years straight-line
Land	Not depreciated
Plant and machinery	4 to 30 years
Exploration, evaluation and development expenditure of minerals assets and other mining assets	Over the life of the proven and probable reserves
Petroleum interests	Over the life of the proved developed oil and gas reserves
Leasehold land and buildings	On a straight-line basis over the life of the lease up to a maximum of 50 years
Vehicles	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.

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.

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 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.

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.

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 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 where it is more likely than not that they will be recovered.

Accounting Policies continued

Resource rent taxes and royalties
Resource rent taxes and royalties are charged 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 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.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with annual leave above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Pension costs and other post-retirement benefits
The BHP Billiton Group operates or participates in a number of pension (including superannuation) schemes throughout the world. The funding of the schemes complies with local regulations. The assets of the schemes are generally held separately from those of the 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 giving due consideration to independent actuarial advice. This is consistent with Statement of Standard Accounting Practice (SSAP) 24 'Accounting for Pension Costs'. This basis of measurement takes into account the performance of scheme assets and changes in the funded status of each scheme, to the extent that deficits represent a legal or constructive obligation of the Group to its employees and that surpluses are recoverable by the Group, over the expected remaining service lives of employees. A pension liability or asset is consequently recognised in the balance sheet to the extent that the contributions payable either lag or precede expense recognition. The liability or asset therefore represents those funding deficits or surpluses together with changes in the funding status of the schemes that will be recognised in the profit and loss account in future periods.

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 giving due consideration to independent actuarial advice, in a manner similar to that applied for defined benefit pension schemes. For other funded schemes the charge to the profit and loss account is measured on the basis of premiums payable.

Decommissioning, site restoration and environmental provisions

BHP Billiton Group companies are generally required to restore mines, oil and gas facilities 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 approved decommissioning or restoration program, discounted to its net present value, is provided when the related environmental disturbance occurs, based on the BHP Billiton Group's interpretation of environmental and regulatory requirements and its own environmental policies where these are more onerous. The cost is capitalised where it gives rise to future benefits. 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. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances. Such costs are recognised where environmental contamination as a result of oil and chemical spills, seepage or other contingent events gives rise to a loss which is probable and reliably estimable.

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

presented in US dollars and prepared in accordance with UK GAAP

Accounting Policies continued

Employee share awards
The estimated cost of awards made by the BHP Billiton Group is charged to profit over the period to the date of expected vesting or the performance period, as appropriate. Where shares are bought on market to satisfy the delivery of shares on vesting, the cost of these share investments is included within other fixed asset investments less amounts charged to profit relating to those shares. The estimated cost of awards is the market value of shares awarded (in the case of the Group Incentive Scheme Performance Shares, Performance Rights, the Bonus Equity Plan, the Restricted Share Scheme and Co-Investment Plan) or the intrinsic value of options awarded (being the difference between the exercise price and the market price at date of grant, measured at the date of the granting of the award), adjusted to reflect the impact of performance conditions, where applicable.

Financial instruments
The BHP Billiton Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices and, in certain circumstances, uses derivative financial instruments (including cash settled commodity contracts) to hedge these risks.

When undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both realised and unrealised transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of that transaction will be taken to the profit and loss account whether or not such derivative is terminated.

When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a)deferred and included in the measurement of the anticipated transaction when it occurs; or

(b)taken to the profit and loss account where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in debtors and are deferred and included in the settlement of the underlying transaction.

When undertaking strategic financial transactions, all gains and losses are taken to the profit and loss account at the end of each reporting period. The premiums paid on strategic financial transactions are taken to the profit and loss account at the inception of the contract.

Use of estimates
The preparation of the BHP Billiton Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported turnover and costs during the reported period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, turnover and costs. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Comparatives
Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

Exchange rates
The following exchange rates have been applied in these financial statements.

	Average 2003	Average 2002	Average 2001	**As at 30 June 2003**	As at 30 June 2002
Australian dollar	**0.58**	0.52	0.54	**0.67**	0.57
Brazilian real	**3.31**	2.50	2.01	**2.88**	2.82
Canadian dollar	**1.51**	1.56	1.52	**1.35**	1.50
Chilean peso	**718**	672	577	**697**	698
Colombian peso	**2 804**	2 487	2 233	**2 818**	2 399
South African rand	**9.03**	10.03	7.16	**7.50**	10.25
UK pound sterling	**0.63**	0.69	0.69	**0.61**	0.65

presented in US dollars and prepared in accordance with UK GAAP

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:

			BHP Billiton Group's effective interest	
Name	Country of incorporation	Principal activity	**30 June 2003 %**	30 June 2002 %
Beswick Pty Ltd	Australia	Investment	**100**	100
BHP Billiton Diamonds Inc	Canada	Diamond mining	**100**	100
BHP Billiton Finance BV	Netherlands	Finance	**100**	100
BHP Billiton Finance Ltd	Australia	Finance	**100**	100
BHP Billiton Finance (USA) Ltd (a)	Australia	Finance	**100**	100
BHP Billiton Group Operations Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton Investments (Jersey) Ltd	Jersey	Holding company	**100**	100
BHP Billiton Iron Ore Pty Ltd	Australia	Management company and iron ore marketing	**100**	100
BHP Billiton Marketing AG	Switzerland	Marketing and trading	**100**	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore, silver, lead and zinc mining	**100**	100
BHP Billiton Petroleum (Americas) Inc	US	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Australia) Pty Ltd	Australia	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Bass Strait) Pty Ltd	Australia	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Deepwater) Inc	US	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (GOM) Inc	US	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (NWS) Pty Ltd	Australia	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum Great Britain Ltd	UK	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (International Exploration) Pty Ltd	Australia	Hydrocarbons exploration and production	**100**	100
BHP Billiton Petroleum (Victoria) Pty Ltd	Australia	Hydrocarbons exploration and production	**100**	100
BHP Billiton SA Ltd	South Africa	Holding and service company	**100**	100
BHP Billiton Services Jersey Ltd	Jersey	Service company	**100**	100
BHP Billiton Shared Business Services Pty Ltd	Australia	Administrative services	**100**	100
BHP Billiton Tintaya SA	Peru	Copper mining	**99.95**	99.95
BHP Billiton Transport and Logistics Pty Ltd	Australia	Transport services	**100**	100
BHP Billiton (Trinidad - 2c) Ltd	Canada	Hydrocarbons exploration and production	**100**	100
BHP Billiton World Exploration Inc	Canada	Exploration	**100**	100
BHP Coal Holding Pty Ltd	Australia	Holding company	**100**	100
BHP Coal Pty Ltd	Australia	Holding company and coal mining	**100**	100
BHP Copper Inc	US	Holding company and copper mining	**100**	100
BHP Development Finance Pty Ltd	Australia	Finance	**100**	100
BHP Holdings (USA) Inc	US	Holding company	**100**	100
BHP International Finance Corporation	US	Finance	**100**	100
BHP Minerals Exploration Inc	US	Holding company	**100**	100
BHP Mitsui Coal Pty Ltd	Australia	Holding company and coal mining	**80**	80
BHP Navajo Coal Company	US	Coal mining	**100**	100
BHP Nominees Pty Ltd	Australia	Holding company	**100**	100
BHP Operations Inc	US	Finance	**100**	100
BHP Petroleum (Pakistan) Pty Ltd	Australia	Hydrocarbons exploration and production	**100**	100
BHP Queensland Coal Investments Pty Ltd	Australia	Holding company and coal mining	**100**	100
BHP Queensland Coal Ltd	US	Coal mining	**100**	100
BHP Steel (AIS) Pty Ltd (b)	Australia	Iron and steel production and coal mining	**-**	100
BHP Steel Investments Inc (b)	US	Steel production	**-**	100
BHP Steel Ltd (b)	Australia	Rollforming and coating of sheet steel	**-**	100
BHP Steel Malaysia Sdn Bhd (b)	Malaysia	Steel coating	**-**	60
BHP Steel Thailand Ltd (b)	Thailand	Steel coating	**-**	87.5
BHP (USA) Investments Inc	US	Investment	**100**	100
Billiton Aluminium Australia Pty Ltd	Australia	Bauxite mining and alumina refining	**100**	100
Billiton Aluminium South Africa Ltd	South Africa	Aluminium smelting	**100**	100
Billiton Coal Australia Pty Ltd	Australia	Coal mining	**100**	100
Billiton Development BV	Netherlands	Exploration	**100**	100
Billiton Marketing Holding BV	Netherlands	Marketing and trading	**100**	100
Billiton Metais SA	Brazil	Alumina refining and aluminium smelting	**100**	100
Broken Hill Proprietary (USA) Inc	US	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 mining	**100**	100
Compania Minera Riochilex SA	Chile	Copper exploration	**100**	100
Dia Met Minerals Ltd	Canada	Diamond mining	**100**	100
Endeavour Coal Pty Ltd	Australia	Coal mining	**100**	100

presented in US dollars and prepared in accordance with UK GAAP

Notes to Financial Statements continued

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 30 June 2003 %	BHP Billiton Group's effective interest 30 June 2002 %
Gengro Limited	South Africa	Investment holding company	**100**	100
Groote Eylandt Mining Co Pty Limited	Australia	Manganese mining	**60**	60
Illawarra Coal Holdings Pty Ltd	Australia	Coal mining	**100**	100
Ingwe Coal Corporation Limited	South Africa	Coal mining	**100**	100
PT BHP Steel Indonesia (b)	Indonesia	Steel coating	**-**	74
QNI Pty Ltd	Australia	Holding company	**100**	100
QNI Resources Pty Ltd	Australia	Nickel refining	**100**	100
QNI Metals Pty Ltd	Australia	Nickel refining	**100**	100
Rio Algom Limited	Canada	Holding company	**100**	100
Samancor Limited	South Africa	Chrome and manganese mining and production	**60**	60
Samancor AG	Switzerland	Marketing and trading	**60**	60
San Juan Coal Company	US	Coal mining	**100**	100
San Juan Transportation Company	US	Coal transportation	**100**	100
Tasmanian Electro Metallurgical Co Pty Ltd	Australia	Manganese alloys	**60**	60
Tasman Steel Holdings Limited (b)	New Zealand	Iron and steel production	**-**	100

The list above only includes those companies which principally affect the profit or net assets of the BHP Billiton Group.

(a) BHP Billiton Finance (USA) Ltd is 100 per cent owned by BHP Billiton Limited. BHP Billiton Limited and BHP Billiton Plc have each fully and unconditionally guaranteed BHP Billiton Finance (USA) Ltd's debt securities.

(b) Attributable to Discontinued Operations. Refer note 3.

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 2003 %	BHP Billiton Group's effective interest 30 June 2002 %
Minera Antamina SA	Peru	Copper and zinc mining	**34**	34
Carbones del Cerrejon LLC (a)	Colombia	Coal mining	**33**	33
Highland Valley Copper	Canada	Copper mining	**34**	34
North Star BHP Steel (b)	US	Steel manufacturing - flat products	**-**	50
Orinoco Iron CA	Venezuela	HBI production	**50**	50
Richards Bay Minerals (c)	South Africa	Titanium dioxide and mineral sands	**50**	50
Samarco Mineracao SA	Brazil	Iron ore mining	**50**	50
South Blackwater	Australia	Coal mining	**50**	50
Caesar Oil Pipeline Company LLC	US	Hydrocarbons transportation	**25**	25
Cleopatra Gas Gathering Company LLC	US	Hydrocarbons transportation	**22**	22
Integris Metals	US	Metals distribution	**50**	50

(a) At 30 June 2002 the BHP Billiton Group had an ownership interest of 33 per cent in Carbones del Cerrejon SA and 33 per cent in Carbones Zona Norte SA. Following the BHP Billiton Group's acquisition of an interest in Intercor LLC in February 2002, the BHP Billiton Group's existing interest in Carbones del Cerrejon SA was merged into Intercor LLC, which was subsequently renamed Carbones del Cerrejon LLC, in November 2002. The activities of Carbones del Cerrejon LLC and Carbones Zona Norte SA are managed as an integrated operation referred to as Cerrejon Coal Corporation. The BHP Billiton Group has an effective ownership interest of 33 per cent in Cerrejon Coal Corporation.

(b) Attributable to Discontinued Operations. Refer note 3.

(c) Richards Bay Minerals comprises two legal entities as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 30 June 2003 %	BHP Billiton Group's effective interest 30 June 2002 %
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.

presented in US dollars and prepared in accordance with UK GAAP

Notes to Financial Statements continued

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 2003 %	30 June 2002 %
Minera Alumbrera Limited	Argentina	Copper and gold mining	**-**	25

Effective April 2003, the BHP Billiton Group sold its interest in Minera Alumbrera Limited for US$187 million, of which US$54 million has been deferred until June 2005. The deferred proceeds are included in other debtors.

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 statementsare as follows:

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 30 June 2003 %	30 June 2002 %
Atlantis	US	Hydrocarbons exploration and production	**44**	44
Bass Strait	Australia	Hydrocarbons exploration and production	**50**	50
Boris	US	Hydrocarbons exploration and production	**50**	50
Bruce	UK	Hydrocarbons exploration and production	**16**	16
Griffin	Australia	Hydrocarbons exploration and production	**45**	45
Gulf of Mexico	US	Hydrocarbons exploration and production	**5-100**	5-100
Keith	UK	Hydrocarbons exploration and production	**32**	32
Laminaria	Australia	Hydrocarbons exploration and production	**25-33**	25-33
Liverpool Bay	UK	Hydrocarbons exploration and production	**46**	46
Mad Dog	US	Hydrocarbons exploration and production	**23.9**	23.9
Mamore	Bolivia	Hydrocarbons exploration and production	**50**	50
North West Shelf	Australia	Hydrocarbons exploration and production	**8-17**	8-17
Ohanet	Algeria	Hydrocarbons exploration and production	**45**	45
ROD Integrated Development	Algeria	Hydrocarbons exploration and production	**36.04**	38.75
Trinidad 2c - Angostura	Trinidad	Hydrocarbons exploration and production	**45**	45
Typhoon	US	Hydrocarbons exploration and production	**50**	50
Zamzama	Pakistan	Hydrocarbons exploration and production	**38.5**	38.5
Alumar	Brazil	- Alumina refining	**36**	36
		- Aluminium smelting	**46**	46
Billiton Suriname	Suriname	- Bauxite mining	**76**	76
		- Alumina refining	**45**	45
Mozal	Mozambique	Aluminium smelting	**47.1**	47.1
Valesul Aluminio	Brazil	Aluminium smelting	**45.5**	45.5
Worsley	Australia	Bauxite mining and alumina refining	**86**	86
Escondida	Chile	Copper mining	**57.5**	57.5
Central Queensland Coal Associates	Australia	Coal mining	**50**	50
Gregory	Australia	Coal mining	**50**	50
Mt Goldsworthy	Australia	Iron ore mining	**85**	85
Mt Newman	Australia	Iron ore mining	**85**	85
Yandi	Australia	Iron ore mining	**85**	85
Ekati	Canada	Diamond mining	**80**	80
Douglas Colliery	South Africa	Coal mining	**84**	84
Middelburg Mine	South Africa	Coal mining	**84**	84
Richards Bay Coal Terminal	South Africa	Coal exporting	**37**	37
Rietspruit Mine	South Africa	Coal mining	**50**	50

Notes to Financial Statements continued

2 Exceptional items

	Gross 2003 US$M	Tax 2003 US$M	Net 2003 US$M
Exceptional items by category			
Loss on sale of 6% interest in BHP Steel (a)	**(19)**	**-**	**(19)**
Total by category	**(19)**	**-**	**(19)**
Exceptional items by Customer Sector Group			
Discontinued Operations	**(19)**	**-**	**(19)**
Total by Customer Sector Group	**(19)**	**-**	**(19)**

	Gross 2002 US$M	Tax 2002 US$M	Net 2002 US$M
Exceptional items by category			
Termination of operations			
Write-down in carrying values of assets			
Base Metals			
Southwest Copper assets (b)	(171)	-	(171)
Reductions in provisions			
Base Metals			
Southwest Copper closure provisions (b)	70	-	70
	(101)	-	(101)
Exceptional taxation items			
Group and unallocated items			
Change in UK tax rate on petroleum operations (c)		(56)	(56)
		(56)	(56)
Other exceptional items			
Suspension of operations			
Base Metals			
Charges associated with suspension of Tintaya sulphide operations (d)	(31)	9	(22)
	(31)	9	(22)
Merger related restructuring costs			
Petroleum	(4)	1	(3)
Aluminium	(4)	-	(4)
Base Metals	(13)	1	(12)
Carbon Steel Materials	(6)	1	(5)
Diamonds and Specialty Products	(6)	2	(4)
Energy Coal	(5)	1	(4)
Stainless Steel Materials	(3)	-	(3)
Group and unallocated items	(39)	9	(30)
	(80)	15	(65)
Total by category	(212)	(32)	(244)

Notes to Financial Statements continued

	Gross 2002 US$M	Tax 2002 US$M	Net 2002 US$M
Exceptional items by Customer Sector Group			
Petroleum	(4)	1	(3)
Aluminium	(4)	-	(4)
Base Metals	(145)	10	(135)
Carbon Steel Materials	(6)	1	(5)
Diamonds and Specialty Products	(6)	2	(4)
Energy Coal	(5)	1	(4)
Stainless Steel Materials	(3)	-	(3)
Group and unallocated items	(39)	(47)	(86)
Total by Customer Sector Group	(212)	(32)	(244)

	Gross 2001 US$M	Tax 2001 US$M	Net 2001 US$M
Exceptional items by category			
Sale of fixed assets			
Carbon Steel Materials			
Equalisation of Queensland Coal interests (e)	128	-	128
	128	-	128
Termination of operations			
Group and unallocated items			
Ok Tedi copper mine (f)	(430)	14	(416)
	(430)	14	(416)
Merger transaction costs			
Group and unallocated items	(92)	-	(92)
	(92)	-	(92)
Exceptional taxation items			
Group and unallocated items			
Income tax audit (g)		(33)	(33)
		(33)	(33)
Other exceptional items			
Restructuring costs and provisions			
Discontinued Operations (h)	(22)	7	(15)
Merger related restructuring costs			
Base Metals	(7)	2	(5)
Diamonds and Specialty Products	(7)	1	(6)
Group and unallocated items	(22)	6	(16)
Net interest	(6)	-	(6)
	(64)	16	(48)
Write-down in carrying values of assets and provisions			
Group and unallocated items			
HBI Venezuela (i)	(520)	110	(410)
Energy Coal			
Lakes Mines	(26)	6	(20)
Stainless Steel Materials			
Columbus JV	(114)	30	(84)
	(660)	146	(514)

Notes to Financial Statements continued

	Gross 2001 US$M	Tax 2001 US$M	Net 2001 US$M
Exceptional items by category continued			
Sale of expansion rights			
Aluminium			
Mozal II (j)	61	(21)	40
	61	(21)	40
Employee share awards accelerated by merger			
Aluminium	(8)	2	(6)
Base Metals	(1)	-	(1)
Carbon Steel Materials	(2)	2	-
Diamonds and Specialty Products	(6)	2	(4)
Energy Coal	(8)	2	(6)
Stainless Steel Materials	(9)	1	(8)
Group and unallocated items	(3)	1	(2)
	(37)	10	(27)
Total by category	(1 094)	132	(962)
Exceptional items by Customer Sector Group			
Aluminium	53	(19)	34
Base Metals	(8)	2	(6)
Carbon Steel Materials	126	2	128
Diamonds and Specialty Products	(13)	3	(10)
Energy Coal	(34)	8	(26)
Stainless Steel Materials	(123)	31	(92)
Discontinued Operations (h)	(22)	7	(15)
Group and unallocated items	(1 067)	98	(969)
Net interest	(6)	-	(6)
Total by Customer Sector Group	(1 094)	132	(962)

(a) A 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's Steel business. This was sold in July 2002 for US$75 million and the loss of US$19 million associated with this sale has been recognised in the year ended 30 June 2003 as an exceptional item in relation to Discontinued Operations.

(b) Following a reassessment of the Group's asset disposal and closure plans relating to its Southwest Copper business in the US (where the Group ceased operations in 1999), impairment provisions, principally related to the San Manuel smelter, were increased by US$171 million. This was offset by a reduction of US$70 million in provisions relating to the expected timing of site restoration expenditure.

(c) In June 2002, a change in legislation increased the corporation taxation rate for petroleum operations in the United Kingdom from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated by US$56 million.

(d) As at 30 June 2002, sulphide operations at Tintaya had been suspended until at least January 2003. An exceptional charge of US$31 million recognised the costs of the suspension and a write-down of obsolete equipment.

(e) In June 2001, 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.

(f) In 2001, the Group and unallocated items segment result includes a US$416 million write-off reflecting 100 per cent of the net assets of Ok Tedi which is prior to deducting minority interests of US$262 million. From 1 July 2001 no profit from Ok Tedi has been recognised by the BHP Billiton Group except to the extent that actual dividends have been received by the BHP Billiton Group. The BHP Billiton Group completed its withdrawal from the Ok Tedi copper mine on 8 February 2002, transferring its 52 per cent interest to an independent Program Company that will operate for the benefit of the people of Papua New Guinea.

(g) As a consequence of an income tax audit conducted by the Australian Taxation Office (ATO), an amount of US$118 million had been subject to litigation. The dispute concerned 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 1980s. On 23 November 1999, the Federal Court ruled in favour of the BHP Billiton Group. On 18 October 2000, the Full Bench of the Federal Court ruled in favour of the ATO. The BHP Billiton Group sought leave to appeal to the High Court of Australia (High Court) and the hearing occurred on 10 August 2001. The High Court refused the BHP Billiton Group leave to appeal on the general question of deductibility but did allow leave to appeal on the question of whether the ATO had the power to amend the 1985 assessment.

An amount of US$41 million was paid in 1992 and up to 2001 was accounted for as a deferred tax asset. At 30 June 2001, the accounts were adjusted to include a tax expense of US$33 million relating to refusal of the High Court to grant leave to appeal on the deductibility of financing costs and a deferred tax asset of US$8 million was carried forward. In July 2001, the outstanding balance of US$77 million was paid and recorded as a deferred tax asset. On 14 February 2002, the High Court allowed, by consent, the BHP Billiton Group's appeal against the majority decision of the Full Federal Court. As a result of the High Court order, an amount of US$85 million was refunded to the BHP Billiton Group together with associated interest and penalties.

(h) Attributable to Discontinued Operations. Refer note 3.

(i) On 29 March 2001, the BHP Billiton Limited Group announced that it would cease further investment in HBI Venezuela. 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 was US$520 million (US$410 million net of tax).

(j) In addition to its 47 per cent interest in the Mozal aluminium smelter, the BHP Billiton Group owned expansion rights amounting to 85 per cent. During the year it sold expansion rights of 38 per cent to its partners for consideration valued at US$61 million (US$40 million net of tax). This amount was included in share of operating profit/(loss) of joint ventures and associates.

Notes to Financial Statements continued

3 Discontinued Operations

Due to the demerger of the BHP Steel business in July 2002, BHP Steel's results have been reported as Discontinued Operations, together with the results of the OneSteel business which was spun-off from BHP Billiton in October 2000.

The BHP Billiton Group demerged the BHP Steel business in July 2002 as follows:

- A capital reduction and a transfer to BHP Billiton Limited shareholders of 94 per cent of the shares in BHP Steel;
- A bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held); and
- The sale by the BHP Billiton Group of the remaining 6 per cent of BHP Steel shares held by the Group.

The impact of these steps was:

- The BHP Billiton Group's equity shareholders' funds were reduced by US$1 489 million, including costs directly associated with the demerger of US$17 million net of tax (US$24 million before tax);
- A cash inflow of US$347 million, representing net US$294 million from the settlement by BHP Steel of intercompany loans, less US$22 million demerger transaction costs paid, and US$75 million from the sale of the 6 per cent of BHP Steel; and
- A 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's steel business. This was sold in July 2002 for US$75 million and the loss of US$19 million associated with this sale has been recognised in the year ended 30 June 2003 and is disclosed as an exceptional item in relation to Discontinued Operations.

BHP Steel is the leading steel company in Australia and New Zealand, specialising in the production of flat steel products, including slab, hot rolled coil, plate and value-added metallic coated and pre-painted steel products. It supplies customers in Australia, New Zealand, Asia, the US, Europe, the Middle East and the Pacific. Key steelmaking assets are Port Kembla Steelworks (Australia), BHP New Zealand Steel and North Star BHP Steel (US). A network of metallic coating and coil painting facilities operates in Australia, New Zealand and South East Asia.

The attributable net assets of BHP Steel as included in the BHP Billiton Group's 30 June 2002 balance sheet are provided below. In addition, the net assets demerged in July 2002 are provided, after allowing for the settlement of intercompany loans by BHP Steel to the BHP Billiton Group and the realisation of Group profit in stock held by BHP Steel.

	2002 US$M
Balance sheet	
Tangible assets	1 881
Investments	91
Current assets	759
Creditors falling due within one year	(345)
Creditors falling due after more than one year and provisions	(495)
	1 891
Equity minority interests	(21)
Attributable net assets	1 870
Net payments to the BHP Billiton Group by BHP Steel to settle intercompany loans (post 30 June 2002)	(294)
Attributable net assets of BHP Steel	1 576
Group profit in stock held by BHP Steel	(9)
Attributable net assets of the BHP Billiton Group at date of demerger (a)	1 567

(a) Of the US$1 567 million attributable net assets available for demerger, approximately 94 per cent or US$1 472 million were demerged to shareholders of BHP Billiton Limited; this together with US$17 million in costs of the demerger represents a total reduction in equity shareholders' funds of US$1 489 million. Refer note 25.

Notes to Financial Statements continued

4 Analysis by business segment

	External turnover US$M	Inter-segment turnover US$M	Profit/(loss) before taxation US$M	Net operating assets (refer note 6) US$M	Depreciation and amortisation US$M	Other non-cash expenses US$M	Capital expenditure US$M
Group including joint ventures and associates (a)(b)							
Year ended 30 June 2003							
Petroleum	**3 260**	**4**	**1 178**	**3 293**	**549**	**50**	**861**
Aluminium	**3 386**	**-**	**581**	**5 095**	**233**	**-**	**462**
Base Metals (c)	**1 954**	**-**	**286**	**3 877**	**257**	**(2)**	**201**
Carbon Steel Materials	**3 688**	**26**	**1 045**	**2 567**	**192**	**7**	**479**
Diamonds and Specialty Products	**1 474**	**11**	**299**	**1 518**	**105**	**-**	**101**
Energy Coal	**2 089**	**-**	**190**	**2 193**	**177**	**2**	**300**
Stainless Steel Materials	**1 106**	**-**	**150**	**1 695**	**96**	**10**	**121**
Group and unallocated items	**549**	**465**	**(248)**	**340**	**39**	**66**	**46**
Exceptional items	**-**						
Total Continuing Operations	**17 506**	**506**	**3 481**	**20 578**	**1 648**	**133**	**2 571**
Discontinued Operations (d)	**-**	**-**	**(19)**	**-**	**-**	**-**	**-**
Net interest			**(537)**				
Total BHP Billiton Group	**17 506**	**506**	**2 925**	**20 578**	**1 648**	**133**	**2 571**
Year ended 30 June 2002							
Petroleum	2 780	35	1 073	2 865	571	4	687
Aluminium	2 857	-	492	4 727	234	(4)	291
Base Metals (c)	1 821	-	192	4 062	233	8	578
Carbon Steel Materials	3 140	166	1 084	2 412	183	31	284
Diamonds and Specialty Products	1 474	6	272	1 620	76	1	121
Energy Coal	1 919	-	536	2 092	176	5	295
Stainless Steel Materials	868	-	3	1 663	89	2	84
Group and unallocated items	369	361	(550)	705	33	59	43
Exceptional items			(212)			153	
Total Continuing Operations	15 228	568	2 890	20 146	1 595	259	2 383
Discontinued Operations (d)	2 550	-	86	2 248	132	4	98
Net interest			(249)				
Total BHP Billiton Group	17 778	568	2 727	22 394	1 727	263	2 481

Notes to Financial Statements continued

	External turnover US$M	Inter-segment turnover US$M	Profit/(loss) before taxation US$M	Net operating assets (refer note 6) US$M	Depreciation and amortisation US$M	Other non-cash expenses US$M	Capital expenditure US$M
Group including joint ventures and associates (a)(b) continued							
Year ended 30 June 2001							
Petroleum	3 340	21	1 407	2 504	500	(4)	432
Aluminium	2 971	-	523	4 730	198	-	1 635
Base Metals (c)	1 719	-	452	3 785	216	1	270
Carbon Steel Materials	3 165	184	918	2 226	186	31	184
Diamonds and Specialty Products	1 313	5	188	1 488	38	4	36
Energy Coal	1 982	-	382	1 986	184	-	171
Stainless Steel Materials	994	-	72	1 736	82	4	212
Group and unallocated items	381	368	(555)	1 143	106	80	39
Exceptional items			(1 066)			546	
Total Continuing Operations	15 865	578	2 321	19 598	1 510	662	2 979
Discontinued Operations (d)	3 214	6	218	2 114	162	15	59
Net interest			(476)				
Total BHP Billiton Group	19 079	584	2 063	21 712	1 672	677	3 038

	External turnover			Profit/(loss) before taxation			Net operating assets (refer note 6)		
	2003 US$M	2002 US$M	2001 US$M	**2003 US$M**	2002 US$M	2001 US$M	**2003 US$M**	2002 US$M	2001 US$M
Joint ventures and associates (e)(f)(g)									
Petroleum	**-**	-	-	**-**	-	-	**70**	25	-
Aluminium	**-**	40	32	**-**	-	1	**-**	-	4
Base Metals (c)	**432**	424	90	**61**	56	25	**802**	1 062	1 122
Carbon Steel Materials	**244**	244	438	**80**	75	109	**314**	334	355
Diamonds and Specialty Products	**1 005**	749	269	**170**	165	162	**580**	674	296
Energy Coal	**204**	129	83	**45**	35	16	**637**	646	393
Stainless Steel Materials	**13**	80	162	**2**	(3)	(11)	**4**	3	140
Group and unallocated items	**-**	-	20	**-**	1	(23)	**-**	-	-
Exceptional items				**-**	-	(634)			
Total Continuing Operations	**1 898**	1 666	1 094	**358**	329	(355)	**2 407**	2 744	2 310
Discontinued Operations (d)	**-**	206	196	**-**	11	2	**-**	172	245
Net interest				**(93)**	(37)	(63)			
Total BHP Billiton Group	**1 898**	1 872	1 290	**265**	303	(416)	**2 407**	2 916	2 555

Notes to Financial Statements continued

	Turnover			Profit/(loss) before taxation		
	2003	2002	2001	**2003**	2002	2001
	US$M	US$M	US$M	**US$M**	US$M	US$M
Third party product included above						
Petroleum	**296**	72	57	**1**	1	1
Aluminium	**1 333**	1 006	1 014	**28**	13	14
Base Metals	**38**	24	13	**5**	-	-
Carbon Steel Materials	**26**	22	40	**(2)**	-	1
Diamonds and Specialty Products	**747**	823	797	**10**	9	23
Energy Coal	**413**	122	100	**(1)**	9	6
Stainless Steel Materials	**10**	9	6	**1**	1	-
Group and unallocated items	**519**	112	-	**1**	(5)	-
	3 382	2 190	2 027	**43**	28	45

(a) Inter-segment sales are made on a commercial basis.

(b) During the year ended 30 June 2002, a new segment, Diamonds and Specialty Products, was created encompassing Diamonds, Titanium Minerals, Integris (metals distribution) and Exploration and Technology. This new segment reflected management responsibility for these businesses. As a consequence, the former Exploration, Technology and New Business and Other Activities segments ceased to exist and any remaining portions were included in Group and unallocated items. In addition, HBI Venezuela and Ok Tedi, previously reported in Carbon Steel Materials and Base Metals, respectively, were included in Group and unallocated items and Columbus Stainless Steel, previously reported in Other Activities, was included in Stainless Steel Materials. Comparatives have been restated accordingly.

(c) Includes turnover attributable to associates of US$94 million (2002: US$126 million; 2001: US$44 million), operating profit attributable to associates of US$29 million (2002: US$32 million; 2001: US$22 million) and net operating assets attributable to associates of US$nil (2002: US$223 million; 2001: US$273 million).

(d) Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. Following the demerger of BHP Steel, certain residual steel assets and liabilities (that were previously included as part of the Steel segment together with BHP Steel) have now been included in Group and unallocated items. Comparatives have been restated accordingly.

(e) Turnover attributable to acquisitions of joint ventures and associates (excluding increased ownership interests) was US$nil (2002: US$nil; 2001: US$173 million). Profit before tax attributable to acquisitions of joint ventures and associates was US$nil (2002: US$nil; 2001: US$41 million). In addition, Integris (metals distribution) was included in joint ventures and associates for the years ended 30 June 2002 and 2003.

(f) Included within net assets are the following carrying values of investments in joint ventures and associates: Base Metals; 2003: US$262 million (2002: US$383 million), Carbon Steel Materials; 2003: US$299 million (2002: US$278 million), Stainless Steel Materials; 2003: US$4 million (2002: US$3 million), Energy Coal; 2003: US$488 million (2002: US$490 million), Diamonds and Specialty Products; 2003: US$277 million (2002: US$326 million), Petroleum; 2003: US$73 million (2002: US$25 million), Discontinued Operations; 2003: US$nil (2002: US$48 million) and Group and unallocated items; 2003: US$nil (2002: US$nil).

(g) Total turnover of joint ventures and associates does not include any inter-segment turnover.

Notes to Financial Statements continued

5 Analysis by geographical segment

	Group			Joint ventures and associates			Total		
	2003	2002	2001	**2003**	2002	2001	**2003**	2002	2001
	US$M	US$M	US$M	**US$M**	US$M	US$M	**US$M**	US$M	US$M
Analysis by geographical market									
Turnover									
Continuing Operations									
Australia	**1 769**	1 437	1 432	**6**	5	2	**1 775**	1 442	1 434
Europe	**5 136**	4 064	3 810	**446**	366	329	**5 582**	4 430	4 139
Japan	**2 269**	1 941	2 411	**124**	137	120	**2 393**	2 078	2 531
South Korea	**1 149**	1 002	842	**54**	66	64	**1 203**	1 068	906
Other Asia	**2 165**	1 802	1 687	**223**	196	170	**2 388**	1 998	1 857
North America	**1 452**	1 575	2 363	**937**	769	240	**2 389**	2 344	2 603
Southern Africa	**918**	890	1 099	**26**	46	60	**944**	936	1 159
Rest of World	**750**	851	1 127	**82**	81	109	**832**	932	1 236
Total Continuing Operations	**15 608**	13 562	14 771	**1 898**	1 666	1 094	**17 506**	15 228	15 865
Discontinued Operations									
Australia	**-**	1 339	1 657	**-**	-	-	**-**	1 339	1 657
Europe	**-**	112	163	**-**	-	-	**-**	112	163
Japan	**-**	17	34	**-**	-	-	**-**	17	34
South Korea	**-**	42	70	**-**	-	-	**-**	42	70
Other Asia	**-**	328	460	**-**	-	-	**-**	328	460
North America	**-**	185	258	**-**	206	196	**-**	391	454
Rest of World	**-**	321	376	**-**	-	-	**-**	321	376
Discontinued Operations (a)	**-**	2 344	3 018	**-**	206	196	**-**	2 550	3 214
Total by geographical market	**15 608**	15 906	17 789	**1 898**	1 872	1 290	**17 506**	17 778	19 079
Analysis by geographical origin									
Turnover									
Continuing Operations									
Australia	**6 527**	5 792	5 676	**-**	50	178	**6 527**	5 842	5 854
Europe	**2 792**	2 049	1 907	**-**	-	-	**2 792**	2 049	1 907
North America	**1 341**	1 475	1 804	**845**	668	105	**2 186**	2 143	1 909
South America (b)	**1 970**	1 648	1 980	**763**	607	370	**2 733**	2 255	2 350
Southern Africa	**2 857**	2 355	2 666	**290**	341	441	**3 147**	2 696	3 107
Rest of World	**121**	243	738	**-**	-	-	**121**	243	738
Total Continuing Operations	**15 608**	13 562	14 771	**1 898**	1 666	1 094	**17 506**	15 228	15 865
Discontinued Operations									
Australia	-	1 887	2 400	**-**	-	-	**-**	1 887	2 400
Europe	-	31	80	**-**	-	-	**-**	31	80
North America	-	2	21	**-**	206	196	**-**	208	217
Rest of World	-	424	517	**-**	-	-	**-**	424	517
Discontinued Operations (a)	**-**	2 344	3 018	**-**	206	196	**-**	2 550	3 214
Total by geographical origin	**15 608**	15 906	17 789	**1 898**	1 872	1 290	**17 506**	17 778	19 079
Profit/(loss) before taxation									
Continuing Operations									
Australia	**1 890**	1 522	1 753	**-**	27	(297)	**1 890**	1 549	1 456
Europe	**253**	233	191	**6**	-	-	**259**	233	191
North America	**180**	16	124	**8**	6	3	**188**	22	127
South America (b)	**396**	158	543	**180**	143	(99)	**576**	301	444
Southern Africa	**394**	559	460	**164**	153	38	**558**	712	498
Rest of World	**10**	73	(395)	**-**	-	-	**10**	73	(395)
Total Continuing Operations	**3 123**	2 561	2 676	**358**	329	(355)	**3 481**	2 890	2 321
Discontinued Operations									
Australia	**(19)**	25	163	**-**	-	-	**(19)**	25	163
Europe	**-**	3	3	**-**	-	-	**-**	3	3
North America	**-**	10	(12)	**-**	11	2	**-**	21	(10)
Rest of World	**-**	37	62	**-**	-	-	**-**	37	62
Discontinued Operations (a)	**(19)**	75	216	**-**	11	2	**(19)**	86	218
Net interest	**(444)**	(212)	(413)	**(93)**	(37)	(63)	**(537)**	(249)	(476)
Total by geographical origin	**2 660**	2 424	2 479	**265**	303	(416)	**2 925**	2 727	2 063

Notes to Financial Statements continued

5 Analysis by geographical segment continued

	Group			Joint ventures and associates			Total		
	2003	2002	2001	**2003**	2002	2001	**2003**	2002	2001
	US$M	US$M	US$M	**US$M**	US$M	US$M	**US$M**	US$M	US$M
Net operating assets (refer note 6)									
Continuing Operations									
Australia	**6 828**	6 578	6 654	**(3)**	3	-	**6 825**	6 581	6 654
Europe	**654**	621	731	**2**	-	-	**656**	621	731
North America	**1 340**	1 122	1 245	**429**	520	158	**1 769**	1 642	1 403
South America (b)	**4 503**	4 909	4 482	**1 661**	1 896	1 685	**6 164**	6 805	6 167
Southern Africa	**4 117**	3 804	3 844	**318**	325	467	**4 435**	4 129	4 311
Rest of World	**729**	368	332	**-**	-	-	**729**	368	332
Total Continuing Operations	**18 171**	17 402	17 288	**2 407**	2 744	2 310	**20 578**	20 146	19 598
Discontinued Operations									
Australia	**-**	1 572	1 346	**-**	-	-	**-**	1 572	1 346
Europe	**-**	2	3	**-**	-	-	**-**	2	3
North America	**-**	-	51	**-**	172	245	**-**	172	296
Southern Africa	**-**	5	-	**-**	-	-	**-**	5	-
Rest of World	**-**	497	469	**-**	-	-	**-**	497	469
Discontinued Operations (a)	**-**	2 076	1 869	**-**	172	245	**-**	2 248	2 114
Total by geographical origin	**18 171**	19 478	19 157	**2 407**	2 916	2 555	**20 578**	22 394	21 712

(a) Refer note 3.

(b) Includes turnover attributable to associates of US$94 million (2002: US$126 million; 2001: US$44 million), operating profit attributable to associates of US$29 million (2002: US$32 million; 2001: US$22 million) and net operating assets attributable to associates of US$nil (2002: US$223 million; 2001: US$273 million).

Notes to Financial Statements continued

6 Reconciliation of net operating assets

	Group		Joint ventures and associates		Total	
	2003 US$M	2002 US$M	**2003 US$M**	2002 US$M	**2003 US$M**	2002 US$M
Net operating assets (refer notes 4 and 5)	**18 171**	19 478	2 407	2 916	**20 578**	22 394
Cash including money market deposits	**1 552**	1 499	113	136	**1 665**	1 635
Debt	**(7 324)**	(8 321)	(702)	(909)	**(8 026)**	(9 230)
Corporation tax	**(343)**	(526)	(5)	(29)	**(348)**	(555)
Dividends payable	**(468)**	(402)	-	-	**(468)**	(402)
Deferred tax	**(966)**	(1 107)	(117)	(73)	**(1 083)**	(1 180)
Tax recoverable	**13**	20	-	-	**13**	20
Shareholder loans	**293**	488	(293)	(488)	**-**	-
Net assets	**10 928**	11 129	1 403	1 553	**12 331**	12 682

7 Net operating costs

	2003 US$M	2002 US$M	2001 US$M
Change in stocks of finished goods and work in progress	**(158)**	(99)	(37)
Raw materials and consumables	**2 450**	3 240	2 521
External services (including transportation)	**2 539**	2 950	2 381
Staff costs (refer note 9)	**1 746**	2 049	2 124
Amortisation of goodwill and negative goodwill	**2**	3	6
Depreciation of tangible fixed assets	**1 646**	1 724	1 666
Impairment charge	**73**	119	34
Other operating income	**(147)**	(163)	(206)
Resource rent taxes	**467**	405	641
Operating lease charges	**127**	228	303
Government royalties paid and payable	**352**	294	235
HBI Venezuela guarantee	**-**	-	330
Other operating charges	**3 457**	2 553	4 613
Group (a)	**12 554**	13 303	14 611
Joint ventures and associates	**1 540**	1 532	1 643
Operating costs including joint ventures and associates (b)	**14 094**	14 835	16 254
Operating lease charges include the following:			
Land and buildings	**47**	24	49
Plant and equipment	**75**	79	158
Other lease charges	**5**	125	96
	127	228	303
Audit fees payable by the BHP Billiton Group to:			
Joint auditors of BHP Billiton Plc (including overseas firms)			
KPMG	**3.4**	3.2	2.1
PricewaterhouseCoopers	**4.1**	2.9	2.9
Other audit firms	**1.0**	3.8	3.3
	8.5	9.9	8.3
Fees payable by the BHP Billiton Group to auditors for other services:			
Joint auditors of BHP Billiton Plc (including overseas firms) (c)			
Audit-related services (d)			
KPMG	**0.6**	1.0	4.4
PricewaterhouseCoopers	**1.6**	1.0	4.9
Information systems design and implementation (e)			
KPMG	**0.7**	5.7	1.1
Taxation services (f)			
KPMG	**2.0**	1.6	1.4
PricewaterhouseCoopers	**1.3**	1.4	2.2
Other services (g)			
KPMG	**0.6**	2.6	3.2
PricewaterhouseCoopers	**0.1**	1.8	4.3
	6.9	15.1	21.5
Other audit firms			
Other services	**1.4**	4.4	6.0
	16.8	29.4	35.8

Notes to Financial Statements continued

(a) Includes net operating costs attributable to Discontinued Operations as follows:

	2003 US$M	2002 US$M	2001 US$M
Change in stocks of finished goods and work in progress	**-**	3	-
Raw materials and consumables	**-**	946	1 162
Staff costs	**-**	506	622
Amortisation of goodwill	**-**	-	3
Depreciation of tangible fixed assets	**-**	132	159
Other operating charges	**-**	698	861
	-	2 285	2 807

(b) Includes research and development costs of US$40 million (2002: US$30 million; 2001: US$18 million).

(c) The amounts paid to the UK firms and their associates amounted to US$1.9 million (2002: US$1.2 million; 2001: US$13.6 million).

(d) Mainly includes accounting advice, due diligence services and services associated with securities offerings. For the year ended 30 June 2003, audit fees of US$0.2 million relating to pension plans, which are not directly payable by the BHP Billiton Group, have been excluded from the above analysis.

(e) Relates to legacy contracts entered into with the former consulting arms of the joint audit firms before they were disposed.

(f) Mainly includes tax compliance services and employee expatriate taxation services.

(g) Mainly includes human resources services and pension advisory services. The years ended 30 June 2001 and 2002 also include fees related to legacy internal audit services provided to BHP Billiton Limited which were contracted prior to the DLC merger. These services ceased during the year ended 30 June 2002.

8 Net interest and similar items payable/(receivable)

	2003 US$M	2002 US$M	2001 US$M
On bank loans and overdrafts	**131**	161	236
On all other loans	**241**	311	339
Finance lease and hire purchase interest	**4**	5	9
	376	477	584
Dividends on redeemable preference shares	**24**	39	83
Discounting on provisions (refer note 21)	**97**	42	39
less Amounts capitalised (a)	**(103)**	(58)	(39)
	394	500	667
Share of interest of joint ventures and associates	**68**	71	94
	462	571	761
Interest received/receivable	**(65)**	(142)	(136)
	397	429	625
Exchange differences on net debt (b)			
Group	**115**	(146)	(118)
Joint ventures and associates	**25**	(34)	(31)
	140	(180)	(149)
Net interest and similar items payable (c)	**537**	249	476

(a) Interest has been capitalised at the rate of interest applicable to the specific borrowings financing the assets under construction or, where financed through general borrowings, at a capitalisation rate representing the average borrowing cost of the Group. For the year ended 30 June 2003 the capitalisation rate was 5.2 per cent (2002: 5.5 per cent; 2001: 6.6 per cent).

(b) Net exchange losses and gains primarily represent the effect on borrowings of the (appreciation)/depreciation of the rand against the US dollar.

(c) Disclosed in the profit and loss account as:

	2003 US$M	2002 US$M	2001 US$M
Net interest and similar items payable			
Group	**444**	212	413
Joint ventures and associates	**93**	37	63
Net interest and similar items payable	**537**	249	476

Notes to Financial Statements continued

9 Employees

	2003 Number	2002 Number	2001 Number
The average number of employees, which excludes joint ventures' and associates' employees and includes executive Directors, during the financial year was as follows:			
Petroleum	**1 872**	1 770	1 744
Aluminium	**5 362**	5 246	5 045
Base Metals	**3 319**	3 646	3 456
Carbon Steel Materials	**6 381**	6 380	6 232
Diamonds and Specialty Products	**1 208**	1 754	2 685
Energy Coal	**9 668**	10 373	12 952
Stainless Steel Materials	**5 282**	5 572	5 861
Discontinued Operations (refer note 3)	**-**	12 269	16 627
Group and unallocated items	**1 709**	3 214	4 351
	34 801	50 224	58 953

	2003 US$M	2002 US$M	2001 US$M
The aggregate payroll expenses of those employees was as follows:			
Wages, salaries and redundancies	**1 511**	1 843	1 903
Employee share awards	**60**	28	46
Social security costs	**20**	28	34
Pensions and other post-retirement medical benefit costs (refer note 27)	**155**	150	141
	1 746	2 049	2 124

Details for each Director, of remuneration, pension entitlements and interests in share options are set out in note 35.

Notes to Financial Statements continued

10 Taxation

	2003 US$M	2002 US$M	2001 US$M
Analysis of charge in the financial year			
UK taxation			
Corporation tax at 30% (a)			
Current (b)	**292**	165	223
Deferred	**(124)**	16	(17)
less Double taxation relief	**(132)**	(92)	(127)
	36	89	79
Australian taxation			
Corporation tax at 30% (2002: 30%; 2001: 34%)			
Current	**330**	235	299
Deferred	**150**	225	66
	480	460	365
South African taxation			
Corporation tax at 30%			
Current	**127**	239	124
Deferred	**74**	(120)	(40)
	201	119	84
Other overseas taxation			
Current	**192**	99	227
Deferred	**(30)**	108	(28)
	162	207	199
Share of joint ventures' tax charge			
Current	**56**	93	80
Deferred	**45**	(11)	(31)
	101	82	49
Share of associates' current tax charge	**-**	(4)	3
Withholding tax and secondary taxes on companies	**4**	37	32
	984	990	811
Made up of:			
Aggregate current tax			
Group	**813**	683	778
Joint ventures and associates	**56**	89	83
	869	772	861
Aggregate deferred tax			
Group	**70**	229	(19)
Joint ventures and associates	**45**	(11)	(31)
	115	218	(50)
	984	990	811

(a) There is an additional 10 per cent tax applicable to petroleum operations in the UK which commenced during the year ended 30 June 2002.

(b) Of the adjustments to prior year provisions for current tax amounting to a gain of US$105 million (2002: gain US$23 million; 2001: loss US$5 million), US$8 million gain (2002: US$nil; 2001: US$nil) relates to the UK.

Notes to Financial Statements continued

10 Taxation continued

	2003 US$M	2002 US$M	2001 US$M
Factors affecting tax charge for the financial year			
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	**2 925**	2 727	2 063
Tax on profit at UK rate of 30%	**878**	818	619
Permanent differences			
Investment and development allowance	**(9)**	(10)	(19)
Amounts over provided in prior years	**(105)**	(23)	5
Recognition of prior year tax losses	**(188)**	(103)	(133)
Non-deductible accounting depreciation and amortisation	**76**	54	32
Non-deductible dividends on redeemable preference shares	**8**	13	24
Non tax-effected operating losses	**109**	69	47
Tax rate differential on non-UK income	**(18)**	(1)	57
Non tax-effected capital gains	**(2)**	(12)	(63)
Foreign expenditure including exploration not presently deductible	**4**	16	57
South African secondary tax on companies	**16**	48	46
Foreign exchange gains and other translation adjustments	**210**	(2)	(113)
Non-deductible merger transaction costs	**-**	-	28
Tax rate changes	**(1)**	59	(22)
Investment and asset impairments	**-**	32	176
Other	**6**	32	70
Total permanent differences	**106**	172	192
Deferred tax movements taken to the profit and loss account			
Capital allowances for the financial year (more)/less than depreciation	**(299)**	(176)	79
Exploration expenditure	**53**	(114)	28
Employee entitlements	**58**	(29)	(72)
Site rehabilitation	**71**	4	(32)
Resource rent tax	**(21)**	17	19
Deferred income	**27**	-	(16)
Other provisions	**(12)**	(77)	(10)
Foreign exchange losses/(gains)	**193**	(5)	24
Foreign tax	**(92)**	(39)	41
Tax losses	**39**	48	(228)
Other	**(132)**	153	217
Total timing differences	**(115)**	(218)	50
Current tax charge for the financial year	**869**	772	861
Add/(less) deferred tax movements taken to the profit and loss account	**115**	218	(50)
Tax on profit on ordinary activities	**984**	990	811

Notes to Financial Statements continued

	2003 US$M	2002 US$M
Provision for deferred tax		
Future income tax benefit at year end comprises:		
Timing differences		
Accelerated capital allowances	**(273)**	(14)
Exploration expenditure	**122**	48
Employee entitlements	**56**	19
Site rehabilitation	**86**	48
Resource rent tax	**95**	90
Deferred income	**125**	–
Other provisions	**(6)**	2
Foreign exchange losses	**41**	59
Profit in stocks elimination	**2**	8
Other	**(32)**	87
Tax-effected losses	**231**	133
Total future income tax benefit	**447**	480
Provision for deferred tax at year end comprises:		
Accelerated capital allowances	**1 280**	1 641
Exploration expenditure	**44**	23
Employee entitlements	**(21)**	(36)
Site rehabilitation	**(82)**	(49)
Resource rent tax	**(4)**	(31)
Deferred income	**–**	(98)
Other provisions	**15**	–
Foreign exchange losses/(gains)	**(230)**	(17)
Deferred charges	**45**	42
Foreign tax	**219**	128
Other	**150**	32
Tax-effected losses	**(3)**	(48)
Total provision for deferred tax	**1 413**	1 587
Net provision for deferred tax	**966**	1 107
Provision at start of the financial year	**1 107**	881
Demerger or disposals of subsidiaries	**(213)**	(21)
Deferred tax charge in profit and loss account for the financial year	**70**	229
Exchange differences and other movements	**2**	18
Net provision at end of the financial year	**966**	1 107
This provision is included within		
Debtors (refer note 17)	**447**	480
Provisions for liabilities and charges (refer note 21)	**(1 413)**	(1 587)
	(966)	(1 107)

Factors that may affect future tax charges

The BHP Billiton Group operates in countries where tax rates are higher than the UK tax rate of 30 per cent, including Canada (43 per cent), Chile (effective rate of 35 per cent), South Africa (effective rate of 37.8 per cent) and the US (35 per cent). Furthermore, petroleum operations in the UK are subject to an additional 10 per cent tax above the ordinary UK tax rate of 30 per cent.

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.

As at 30 June 2003, the BHP Billiton Group has not recognised potential tax expense of US$240 million (2002: US$47 million), which mainly relates to the tax impact of unrealised foreign exchange gains and losses on US dollar net debt held by subsidiaries which maintain local currency records for tax purposes. Tax expense will be recognised when such gains and losses are realised for tax purposes.

The BHP Billiton Group anticipates it will continue to incur foreign expenditure including exploration or incur losses in jurisdictions which under current accounting policies, the tax-effect of such expenditure or losses may not be recognised. The BHP Billiton Group will continue to incur non-deductible accounting depreciation and amortisation.

Notes to Financial Statements continued

The BHP Billiton Group recognises tax losses to the extent that it can reasonably foresee future profits which can absorb those losses. Following promising progress in the BHP Billiton Group's Gulf of Mexico (US) projects during the year ended 30 June 2003, previously unrecognised tax losses in the US have been recouped and have been recognised this year resulting in a reduction in the effective tax rate of approximately 3 per cent. If and when the projects reach appropriate milestones that provide greater certainty over projected future profits, further benefits in respect of past losses may be recognised. In total, this would constitute the majority of the 'Other foreign losses' shown in the table in this note depicting the BHP Billiton Group's tax losses not yet tax-effected.

Australian tax consolidation

The Australian Federal Government has introduced consolidations tax law, which enables an Australian group of companies to be treated as a single entity and to lodge a single tax return, if the group makes an election, which is voluntary.

The election to consolidate can be made from the 2003 financial year and to be eligible the head company of the wholly-owned group of entities will need to make an irrevocable choice to consolidate with its wholly-owned Australian subsidiaries for income tax purposes. This election needs to be made to the Australian Taxation Office (ATO) by the time the group lodges its first consolidated income tax return (being 1 December for the prior year ending 30 June). Upon such election, all of the wholly-owned subsidiaries will become 'subsidiary members' of the consolidated group and together with the head company will constitute the members of the group.

The new consolidations tax law rules also provide the means for pooling of group franking credits and disregarding intra-group transactions in calculating tax liabilities. Groups that do not elect to form a consolidated group will not be able to use existing grouping rules, including grouping of tax losses and rollover of capital gains tax assets. Complex rules applicable upon election restrict the ability to bring tax losses into a consolidated group and permit reset of the tax cost base of assets in certain circumstances. These could impact both the Group's deferred tax assets and liabilities at the time of election and its current tax payable from the first affected period.

The Group has yet to decide whether or not to elect under the consolidations regime, so any impact on the financial statements has not yet been determined. It is anticipated the Group will be able to determine this position late in the 2003 calendar year.

Notes to Financial Statements continued

Tax losses

At 30 June 2003, the BHP Billiton Group has ordinary tax losses and capital losses of approximately US$2 439 million (2002: US$2 337 million), 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. These tax losses carried forward expire as summarised below:

Year of expiry	Australian losses US$M	UK losses US$M	Other foreign losses US$M	Total losses US$M
Income tax losses				
2004			3	3
2005			-	-
2006			2	2
2007			2	2
2008			29	29
2009			17	17
2010			20	20
2011			12	12
2012			73	73
2013			1	1
2019			176	176
2020			390	390
2021			404	404
2022			248	248
2023			101	101
Unlimited	91	128	129	348
Capital tax losses				
Unlimited	540	11	62	613
	631	139	1 669	2 439

11 Dividends

	2003 US$M	2002 US$M	2001 US$M
BHP Billiton Plc (a)			
Dividends declared (b)(c)	**185**	150	186
Dividends paid			
Ordinary shares (d)	**173**	151	92
Preference shares (e)	**-**	-	-
	358	301	278
BHP Billiton Limited (a)			
Dividends declared (b)(f)	**280**	242	245
Dividends paid (g)	**262**	241	231
	542	483	476
Total dividends paid or payable	**900**	784	754

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 25) and the Billiton Employee Share Ownership Trust (refer note 15).

(a) BHP Billiton Limited dividends per American Depositary Share (ADS) (as declared) for 2003 were 29.0 US cents per share (2002: 26.0 US cents per share; 2001: 49.4 Australian cents per share). Effective 25 June 2003, BHP Billiton Plc ADSs listed on the New York Stock Exchange. As the listing was subsequent to the record date for the final 2003 dividend, no dividends per BHP Billiton Plc ADS are applicable for any of the years shown above.

(b) Dividends declared on 7 May 2003 and payable at 30 June 2003 were paid on 2 July 2003.

(c) Declared final dividend of 7.5 US cents per share (2002: 6.5 US cents per share; 2001: 8.0 US cents per share).

(d) Interim dividend paid of 7.0 US cents per share (2002: 6.5 US cents per share; 2001: 4.0 US cents per share).

(e) 5.5 per cent dividend on 50 000 preference shares of £1 each (2002: 5.5 per cent; 2001: 5.5 per cent).

(f) Declared final dividend of 7.5 US cents fully franked per share (2002: 6.5 US cents per share fully franked; 2001: 12.6 Australian cents per share fully franked).

(g) Interim dividend paid of 7.0 US cents fully franked per share (2002: 6.5 US cents fully franked per share; 2001: 12.1 Australian cents unfranked per share).

All per share amounts have been adjusted for the BHP Billiton Limited bonus issue effective 29 June 2001.

Notes to Financial Statements continued

12 Earnings per share

	2003	2002	2001
Basic earnings per share (US cents)			
Excluding exceptional items	**31**	32	37
Impact of exceptional items	**-**	(4)	(11)
Including exceptional items	**31**	28	26
Diluted earnings per share (US cents)			
Excluding exceptional items	**31**	32	37
Impact of exceptional items	**-**	(4)	(11)
Including exceptional items	**31**	28	26
Basic earnings per ADS (US cents) (a)			
Including exceptional items	**62**	56	52
Diluted earnings per ADS (US cents) (a)			
Including exceptional items	**62**	56	52
Earnings (US$million)			
Excluding exceptional items	**1 920**	1 934	2 189
Including exceptional items	**1 901**	1 690	1 529
Weighted average number of shares (millions)			
Basic earnings per share denominator	**6 207**	6 029	5 944
Diluted earnings per share denominator	**6 222**	6 042	5 973

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

The loss on sale of the 6 per cent interest in BHP Steel Limited decreased basic earnings per share by 0.3 US cents for the year ended 30 June 2003. In 2002, the exceptional items (which are individually disclosed in note 2) decreased basic earnings per share by 4 US cents. In 2001, the exceptional items that had the greatest impact on basic earnings per share comprise the impairment of HBI Venezuela (decrease of 7 US cents) and the exit from Ok Tedi (decrease of 3 US cents). The remaining exceptional items in 2001 decreased basic earnings per share by 1 US cent per share (including a decrease of 0.2 US cents per share attributable to Discontinued Operations).

The Directors present earnings per share data based on earnings excluding exceptional items as this provides a more meaningful representation of the underlying operating performance of the BHP Billiton Group. Whilst the presentation of earnings per share excluding exceptional items is acceptable under UK GAAP, this presentation is not permitted under US GAAP. Profit and earnings per share before exceptional items are not measures of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP as a measurement of the BHP Billiton Group's profitability or liquidity. All registrants do not calculate profit and earnings per share before exceptional items in the same manner, and accordingly, profit and earnings per share before exceptional items may not be comparable with other registrants. Refer to note 2 for details of exceptional items excluded.

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 relevant shares held by the share repurchase scheme and the Group's Employee Share Ownership Trusts and adjusting for the BHP Billiton Limited bonus issue effective 29 June 2001.

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:

Number of shares	2003 Million	2002 Million	2001 Million
Basic earnings per share denominator	**6 207**	6 029	5 944
BHP Billiton Limited options and performance rights and shares	**13**	11	12
BHP Billiton Limited partly paid shares	**1**	2	3
BHP Billiton Plc performance shares	**1**	-	-
BHP Billiton Plc executive share awards	**-**	-	14
Diluted earnings per share denominator	**6 222**	6 042	5 973

Notes to Financial Statements continued

13 Intangible assets

	Goodwill US$M	Negative goodwill US$M	Total US$M
Cost			
At the beginning of the financial year	63	(46)	**17**
Demerger or disposals of subsidiaries	(8)	-	**(8)**
At the end of the financial year	**55**	**(46)**	**9**
Amortisation			
At the beginning of the financial year	21	(13)	**8**
Amortisation for the financial year	6	(4)	**2**
Demerger or disposals of subsidiaries	(8)	-	**(8)**
At the end of the financial year	**19**	**(17)**	**2**
Net book value at the end of the financial year	**36**	**(29)**	**7**
Net book value at the beginning of the financial year	42	(33)	9

14 Tangible fixed assets

	Land and buildings US$M	Plant and equipment US$M	Other mineral assets US$M	Assets under construction US$M	Exploration and evaluation US$M	**Total US$M**
Cost or valuation						
At the beginning of the financial year	2 461	24 788	7 161	2 771	479	**37 660**
Additions	159	487	94	2 303	141	**3 184**
Disposals	(43)	(75)	(6)	-	(15)	**(139)**
Demerger or disposals of subsidiaries	(584)	(4 303)	(367)	(210)	(86)	**(5 550)**
Exchange variations	12	417	41	-	-	**470**
Transfers and other movements	255	1 489	(61)	(1 601)	(32)	**50**
At the end of the financial year	**2 260**	**22 803**	**6 862**	**3 263**	**487**	**35 675**
Depreciation						
At the beginning of the financial year	1 179	13 154	2 800	210	138	**17 481**
Charge for the year	98	1 230	305	-	13	**1 646**
Impairments for the year	6	48	-	-	9	**63**
Disposals	(25)	(34)	(4)	-	(5)	**(68)**
Demerger or disposals of subsidiaries	(385)	(2 621)	(367)	(210)	(86)	**(3 669)**
Exchange variations	10	343	30	-	-	**383**
Transfers and other movements	48	62	(81)	-	1	**30**
At the end of the financial year	**931**	**12 182**	**2 683**	**-**	**70**	**15 866**
Net book value at the end of the financial year	**1 329**	**10 621**	**4 179**	**3 263**	**417**	**19 809**
Net book value at the beginning of the financial year	1 282	11 634	4 361	2 561	341	20 179

The analysis of tangible fixed assets between categories has been restated from the amounts previously disclosed to better reflect the nature of certain assets.

Included within the net book value of other mineral assets is US$534 million (2002: US$530 million) of deferred overburden removal costs.

Included in the additions for exploration and evaluation is US$100 million (2002: US$147 million) of capitalised exploration expenditure.

Included within the amounts above for plant and equipment are assets held under finance leases with a net book value of US$55 million (2002: US$65 million). Depreciation charged on these assets during the year ended 30 June 2003 totalled US$9 million (2002: US$9 million).

Included within the amounts set out above are assets with a net book value of US$821 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$763 million. The additional depreciation charge attributable to the revaluation for 2003 is US$5 million (2002: US$5 million).

Included within tangible fixed assets at 30 June 2003 is capitalised interest with a net book value of US$456 million (2002: US$362 million).

	Freehold US$M	Long leasehold US$M	Total US$M
The net book value of land and buildings can be analysed as follows:			
At 30 June 2003	**1 268**	**61**	**1 329**
At 30 June 2002	1 187	95	1 282

Notes to Financial Statements continued

15 Fixed asset investments

	Investment in joint ventures US$M	Investment in associates(a) US$M	Loans to joint ventures(b) US$M	Loans to associates(a) US$M	Own shares(c) US$M	Other fixed asset investments(d) US$M	Total US$M
At the beginning of the financial year	**1 468**	**85**	**421**	**67**	**3**	**496**	**2 540**
Group share of profits less losses	**139**	**25**	**–**	**–**	**–**	**–**	**164**
Charge for the year	**–**	**–**	**–**	**–**	**–**	**(10)**	**(10)**
Additions	**41**	**–**	**34**	**–**	**–**	**3**	**78**
Transfer on demerger of subsidiaries	**–**	**–**	**–**	**–**	**–**	**94**	**94**
Disposals	**–**	**(110)**	**(128)**	**(67)**	**(1)**	**(426)**	**(732)**
Demerger or disposal of subsidiaries	**(48)**	**–**	**(34)**	**–**	**–**	**(9)**	**(91)**
Dividends received	**(197)**	**–**	**–**	**–**	**–**	**–**	**(197)**
At the end of the financial year	**1 403**	**–**	**293**	**–**	**2**	**148**	**1 846**

	In aggregate		BHP Billiton Group Share	
	2003 US$M	2002 US$M	**2003 US$M**	2002 US$M
Net assets of joint ventures can be analysed as follows:				
Fixed assets	**5 799**	5 543	**2 152**	2 152
Current assets	**1 666**	1 706	**728**	750
Liabilities due within one year	**(1 101)**	(1 302)	**(476)**	(576)
Liabilities due after more than one year	**(2 652)**	(2 173)	**(1 001)**	(858)
Net assets of joint ventures	**3 712**	3 774	**1 403**	1 468
Net assets of associates can be analysed as follows:				
Fixed assets	**–**	880	**–**	220
Current assets	**–**	196	**–**	49
Liabilities due within one year	**–**	(156)	**–**	(39)
Liabilities due after more than one year	**–**	(580)	**–**	(145)
Net assets of associates	**–**	340	**–**	85

	In aggregate			BHP Billiton Group Share		
	2003 US$M	2002 US$M	2001 US$M	**2003 US$M**	2002 US$M	2001 US$M
Profits less losses of joint ventures and associates can be analysed as follows:						
Turnover	**4 516**	4 252	3 263	**1 898**	1 872	1 290
Net operating costs	**(3 666)**	(3 442)	(2 675)	**(1 540)**	(1 532)	(1 643)
Operating profit/(loss)	**850**	810	588	**358**	340	(353)
Profit/(loss) after net interest and taxation	**400**	520	288	**164**	225	(468)
Capital commitments				**98**	116	19

(a) During the financial year the BHP Billiton Group sold its interest in Minera Alumbrera Limited (refer note 1).

(b) Loans to joint ventures includes US$275 million (2002: US$273 million) that are in the form of cash on deposit, with the banks having an equivalent amount on loan to the joint venture.

(c) Own shares comprised the shares of BHP Billiton Plc held by the Group's Employee Share Ownership Trusts (refer note 23 for a description of the Trust). At 30 June 2003, 347 498 shares (2002: 659 882) were held by the Trust with a market value at that date of US$2 million (2002: US$3 million).

(d) 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$nil at 30 June 2003 (2002: US$nil) in the table above and a market value of US$11 million (2002: US$11 million). Other listed investments had a book value of US$72 million (2002: US$68 million) and a market value of US$77 million (2002: US$82 million).

16 Stocks

	2003 US$M	2002 US$M
Raw materials and consumables	**356**	349
Work in progress	**384**	434
Finished goods	**639**	674
	1 379	1 457

Notes to Financial Statements continued

17 Debtors

	2003 US$M	2002 US$M
Amounts due within one year		
Trade debtors	**1 467**	1 643
less Provision for doubtful debts	**(5)**	(13)
Tax recoverable	**13**	20
Employee Share Plan loans (a)	**2**	71
Other debtors (b)	**624**	737
less Provision for doubtful debts	**(6)**	(3)
Prepayments and accrued income	**129**	99
	2 224	2 554
Amounts due after one year		
Deferred tax	**447**	480
Employee Share Plan loans (a)	**69**	64
Other debtors (b)	**535**	371
Pension prepayments (refer note 27)	**270**	224
Other prepayments and accrued income	**84**	58
	1 405	1 197
	3 629	3 751

(a) 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.

(b) Other debtors includes receivables from joint venture arrangement cash calls, indirect taxes and other long-term financing and reimbursement arrangements.

18 Current asset investments

	2003 US$M	2002 US$M
Unlisted investments (a)(b)	**143**	117
	143	117

(a) Unlisted investments include US$104 million (2002: 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).

(b) Unlisted investments include US$39 million (2002: US$49 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.

19 Creditors – amounts falling due within one year

	2003 US$M	2002 US$M
Bank overdrafts	**21**	509
Unsecured bank loans (current portion of long-term loans)	**230**	154
Unsecured bank loans (other short-term loans)	**371**	197
Total current portion of bank loans and overdrafts	**622**	860
Debentures	**150**	706
Secured debt (limited recourse) (refer note 20)	**28**	35
Unsecured debt (non-recourse)	**44**	173
Secured debt (non-recourse)	**34**	–
Commercial paper (a)	**138**	849
Finance leases	**4**	2
Other unsecured borrowings	**16**	21
Other secured borrowings	**–**	141
Total current portion of debentures and other borrowings	**414**	1 927
Total borrowings falling due within one year	**1 036**	2 787
Trade creditors	**1 398**	1 243
Corporation taxes	**322**	513
Social security	**1**	1
Other taxes	**36**	110
Other creditors and accruals	**832**	1 081
Deferred income	**114**	92
Dividends payable	**468**	402
	4 207	6 229

(a) In accordance with FRS 4 'Capital Instruments', all commercial paper is classified as short-term borrowings though it is backed by medium term facilities. Under US GAAP, this amount would be grouped with non-current borrowings at 30 June 2003 and 30 June 2002. The maturity of US$138 million (2002: US$849 million) of the commercial paper included above as due within one year can be extended beyond one year at the BHP Billiton Group's option.

Notes to Financial Statements continued

20 Creditors – amounts falling due after more than one year

	2003 US$M	2002 US$M
Unsecured bank loans	**97**	1 345
Total non-current portion of bank loans	**97**	1 345
Debentures	**4 145**	2 366
Secured debt (limited recourse) (a)	**478**	414
Unsecured debt (non-recourse)	**754**	613
Secured debt (non-recourse)	**74**	86
Redeemable preference shares (b)	**450**	450
Finance leases	**49**	33
Other unsecured borrowings	**241**	227
Total non-current portion of debentures and other borrowings	**6 191**	4 189
Total borrowings falling due after more than one year	**6 288**	5 534
Trade creditors	**14**	10
Other creditors	**181**	111
Corporation taxes	**21**	13
Deferred income	**345**	319
	6 849	5 987

(a) The limited recourse secured debt relates to the Mozal joint arrangement. The debt is secured by a charge over the assets of this joint arrangement and the lender has recourse to only those assets in the event of default. The BHP Billiton Group's share of these obligations are guaranteed by BHP Billiton Plc until such time as the project reaches financial completion.

(b) Redeemable preference shares include the following:

BHP Operations Inc: Preferred stock

Auction market preferred stock

600 (2002: 600) 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 Group companies.

Cumulative preferred stock series 'A'

3 000 (2002: 3 000) 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 Group companies.

	Repayable	Currency	Interest rate %	2003 US$M	2002 US$M
Debt falling due after 5 years is analysed as follows:					
Magma long-term borrowing	2009 – 2011	US$	LIBOR	**50**	50
US$ Bond issue	2007	US$	7.5% fixed	**–**	12
US$ Bond issue	2012 – 2026	US$	7.0% fixed	**1 073**	750
Global Bond	2013	US$	LIBOR+0.47%	**850**	–
Long-term borrowing	2020	US$	6.35% fixed	**–**	22
Escondida	2008 – 2013	US$	8.3% fixed	**29**	29
Escondida	2011	US$	LIBOR+0.50%	**157**	–
Medium term notes	2008	US$	LIBOR+0.78%	**391**	391
Rio Algom Preferred Securities (a)	2047	US$	9.4% fixed	**–**	150
Manganese Shareholder loan	2030	US$	LIBOR+2.25%	**82**	82
Richards Bay Coal Terminal loan	2015	ZAR	interest free	**30**	23
Eskom loan	2013	ZAR	12.8% fixed	**40**	46
Mozal – Senior loans	2012 – 2014	US$	7–8% fixed	**121**	210
Mozal – Senior loans	2012	US$	LIBOR+2.4%	**95**	52
Mozal – Subordinated loan	2012	US$	8.46% fixed	**46**	34
Chrome Alloys long-term borrowing	2015	ZAR	JIBAR+1.4%	**3**	46
Other		various	various	**17**	27
				2 984	1 924

For maturity profile of financial liabilities see note 29, Liquidity exposures. For the purpose of that disclosure, financial liabilities include total borrowings falling due within one year US$1 036 million (2002: US$2 787 million), total borrowings falling due after more than one year US$6 288 million (2002: US$5 534 million) and creditors deemed to be financial instruments, payable in cash, of US$117 million (2002: US$17 million).

(a) Classified as current at 30 June 2003 following the exercise, on 27 June 2003, of Rio Algom's option to redeem the Preferred Securities on 7 August 2003.

Notes to Financial Statements continued

21 Provisions for liabilities and charges

	Employee Entitlements (a) US$M	Restructuring (b) US$M	Resource Rent tax US$M	Site Rehabilitation (c) US$M	Post-Retirement benefits(d) (note 27) US$M	Deferred Tax US$M	Other US$M	Total US$M
At 1 July 2002	**641**	**125**	**214**	**1 613**	**215**	**1 587**	**259**	**4 654**
Amounts capitalised	**-**	**-**	**-**	**325**	**-**	**-**	**-**	**325**
Demerger or disposals of subsidiaries	**(183)**	**(1)**	**-**	**(1)**	**-**	**(237)**	**(34)**	**(456)**
Charge/(credit) for the year:								
Underlying	**411**	**4**	**(3)**	**37**	**50**	**54**	**36**	**589**
Discounting	**3**	**-**	**-**	**94**	**-**	**-**	**-**	**97**
Exchange variation	**51**	**5**	**29**	**-**	**22**	**-**	**35**	**142**
Released during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exchange variation taken to reserves	**1**	**-**	**3**	**15**	**-**	**17**	**1**	**37**
Utilisation	**(265)**	**(28)**	**-**	**(84)**	**(29)**	**-**	**(23)**	**(429)**
Transfers and other movements	**(32)**	**(48)**	**(2)**	**26**	**59**	**(8)**	**24**	**19**
At 30 June 2003	**627**	**57**	**241**	**2 025**	**317**	**1 413**	**298**	**4 978**
At 1 July 2001	603	499	195	1 048	144	1 340	190	4 019
Amounts capitalised	-	-	-	430	-	-	-	430
Disposals	(16)	-	-	(93)	(30)	(46)	(6)	(191)
Charge/(credit) for the year:								
Underlying	330	21	3	-	16	261	77	708
Discounting	-	-	-	42	-	-	-	42
Exchange variation	24	5	19	-	(14)	-	13	47
Released during the year	-	(13)	-	(57)	-	-	(15)	(85)
Exchange variation taken to reserves	21	9	2	6	-	32	2	72
Utilisation	(262)	(118)	(6)	(45)	(12)	-	(38)	(481)
Transfers and other movements	(59)	(278)	1	282	111	-	36	93
At 30 June 2002	641	125	214	1 613	215	1 587	259	4 654

(a) The provision for employee entitlements includes applicable amounts for annual leave and associated on-costs. It is anticipated expenditure of approximately US$313 million will be incurred in the year ending 30 June 2004.

(b) Total provision for restructuring costs is made up of:

	2003 US$M	2002 US$M
Remediation and site rehabilitation	**10**	47
Redundancies	**22**	36
Business terminations (including contract cancellations)	**25**	42
	57	125

(c) The BHP Billiton Group's activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, the BHP Billiton Group has a policy of ensuring that reclamation is planned and financed from the early stages of any operation. Provision is made for the reclamation of the BHP Billiton Group's mining and processing facilities along with the decommissioning of offshore oil platforms and infrastructure associated with petroleum activities. At 30 June 2003, US$1 664 million (2002: US$1 276 million) was provided for reclamation and decommissioning costs relating to current operations in the provision for site rehabilitation. Reclamation and decommissioning expenditures generally are expected to be paid over the next 30 years. As stated in the BHP Billiton Group's accounting policy, the BHP Billiton Group's provisions for reclamation and decommissioning are discounted to their net present value. The estimated total site rehabilitation cost (undiscounted) to be incurred in the future arising from operations to date, and including amounts already provided for, is US$3 391 million (2002: US$2 863 million).

In addition, the BHP Billiton Group has certain obligations associated with maintaining several closed sites including remediation activities. At 30 June 2003, US$361 million (2002: US$337 million) and US$10 million (2002: US$47 million) were provided for closed properties and remediation activities in the provisions for site rehabilitation and restructuring, respectively. The main closed site to which this provision relates is Southwest Copper in the US. Certain of the remediation activities are subject to legal dispute and depending on the ultimate resolution of these matters the final liability for these matters could vary. The amounts provided for these matters are reviewed periodically based upon the facts and circumstances available at the time and the provisions are updated accordingly. The BHP Billiton Group believes that it is reasonably possible that, due to the nature of the liability and the degree of uncertainty which surrounds them, the liability for these matters could be as much as 50 per cent (2002: 20 per cent) greater than the total amount of US$371 million provided at 30 June 2003 (2002: US$384 million). Details of the more significant remediation sites are discussed below.

Pinal Creek, Arizona, US

BHP Copper Inc ('BHP Copper') is involved in litigation concerning groundwater contamination resulting from historic mining operations near the Pinal Creek/ Miami Wash area located in the State of Arizona.

On 2 April 1994, Roy Wilkes and Diane Dunn initiated a toxic tort class action lawsuit in the Federal District Court for the District of Arizona. On 22 September 2000, the Court-approved settlement reached between the parties for a non-material amount, and the terms of the settlement are now being implemented as a monitoring program.

A State consent decree ('the Decree') was approved by the Federal District Court for the District of Arizona in August 1998. The Decree authorises and requires groundwater remediation and facility-specific source control activities, and the members of the Pinal Creek Group (which consists of BHP Copper, Phelps Dodge Miami Inc and Inspiration Consolidated Copper Co) are jointly liable for performing the non-facility specific source control activities. Such activities are currently ongoing. As of 30 June 2003 the Group has provided US$22 million (30 June 2002: US$31 million) for its anticipated share of the planned remediation work, based on a range up to US$43 million.

BHP Copper and the other members of the Pinal Creek Group filed a contribution action in November 1991 in the Federal District Court for the District of Arizona against former owners and operators of the properties alleged to have caused the contamination. The claim is for an undetermined amount but under current state and federal laws applicable to the case, BHP Copper should recover a significant percentage of the total remediation costs from the Defendants, based upon their operations' proportionate contributions to the total contamination in the Pinal Creek drainage basin. Such action seeks recovery from these historical owners and operators for remediation and source control costs. BHP Copper's predecessors in interest have asserted a counterclaim in this action seeking indemnity from BHP Copper based upon their interpretation of the historical transaction documents relating to the succession in interest of the parties. BHP Copper has also filed suit against a number of insurance carriers seeking to recover under various insurance policies for remediation, response, source control, and other costs noted above incurred by BHP Copper. The reasonable assessment of recovery in the various insurances cases has a range from US$7 million to about US$20 million, depending on many factors. Neither insurance recoveries nor other claims or offsets have been recognised in the financial statements and will not be recognised until such offsets are considered virtually certain of realisation.

Notes to Financial Statements continued

Hawaii, US

In May 1998, the BHP Billiton Limited Group divested its businesses in Hawaii. The BHP Billiton Limited Group indemnified the buyers for certain past liabilities and has capped this indemnification at less than US$10 million, much of which has now been spent. Following the divestment, the BHP Billiton Limited Group has retained some environmental liabilities for which it has indemnified the buyer and which are uncapped, as described below.

The BHP Billiton Limited Group operated a petroleum terminal, now decommissioned, at a site that is within an area that has since been declared a Hawaii State Superfund site. The BHP Billiton Limited Group is currently participating in a voluntary effort with a number of other parties to undertake site assessment, to be followed by a risk assessment, and ultimately risk-based correction actions. Site assessment is expected to be completed in 2003 and risk assessment in 2004. Some corrective action is taking place while the assessments are progressing.

Also within the Superfund area is the site of a previous manufactured gas plant. Litigation over a claim brought by a neighbour, Castle & Cooke, asserting that contamination on its property arose from the BHP Billiton Limited controlled site was settled in December 2000. The BHP Billiton Group has engaged a contractor to remediate the former gas plant site to the satisfaction of the Hawaii Department of Health and to meet conditions of the Settlement Agreement. Remediation activities have commenced and are ongoing.

The Group's remaining liabilities for its former Hawaii businesses including remediation costs, though uncapped, are currently assessed and accrued at US$11 million (2002: US$12 million).

Newcastle, Australia

On 28 June 2002, the BHP Billiton Group and the New South Wales (NSW) Government executed contracts for the transfer of four properties in the Newcastle area from the Group to the NSW Government. The properties covered by the land transfer are 150 hectares at the former Newcastle Main Steelworks site, 230 hectares at Kooragang Island, 500 hectares at Belmont Sands and 1500 hectares at West Wallsend.

Pursuant to the terms of the contracts the NSW Government agreed to pay the Group US$22 million (net of GST) for the Main Steelworks site. The other properties were transferred to the NSW Government at no cost. The Group will ultimately pay the NSW Government a sum of US$73 million (net of GST) for environmental remediation and monitoring of the former Main Steelworks site and Kooragang Island, industrial heritage interpretation and rail infrastructure relocation on the former Main Steelworks site, of which US$43 million has already been paid.

The transfer of the four properties was conditional, amongst other things, on an indemnity from the NSW Government against responsibility for the remediation of contamination on the Main Steelworks site and Kooragang Island and contamination, which migrates to or is transported off these sites after the date of completion. The Group retains responsibility for any pre-existing environmental liabilities associated with Belmont Sands and West Wallsend and for pre-existing off-site contamination from the former Main Steelworks site and Kooragang Island.

The Group continues to be responsible for demolition at the Main Steelworks site at an estimated cost of approximately US$5 million at 30 June 2003 (2002: US$11 million). The payments to the Government associated with the land transfers and the cost of demolition has been accounted for as part of the Newcastle Steelworks closure. The transfers of the four properties referred to above were completed on 31 July 2002 and the indemnity referred to above is now in place. The Group has also taken out pollution liability insurance to cover certain risks associated with pre-completion environmental liabilities referred to above.

Additionally the Group retains responsibility for certain sediment in the Hunter River adjacent to the former Main Steelworks site. A remediation options study has been completed. The estimated total future costs provided at 30 June 2003 were approximately US$30 million (2002: US$75 million).

Ok Tedi, Papua New Guinea

The BHP Billiton Group completed its withdrawal from the Ok Tedi copper mine in Papua New Guinea in February 2002 with the transfer of its 52 per cent equity stake to PNG Sustainable Development Program Limited (Program Company), a development fund that operates for the benefit of the Papua New Guinean people.

The Program Company operates independently and will utilise future dividend payments arising from the BHP Billiton Group's transferred shareholding in Ok Tedi Mining Limited (OTML) to fund current and long-term sustainable development projects in Papua New Guinea, particularly the Western Province.

Following the transfer of BHP Billiton's shareholding, the equity participants in OTML are: PNG Sustainable Development Program Limited (52 per cent); the State of Papua New Guinea (30 per cent) and Inmet Mining Corporation (18 per cent). OTML continues to operate the mine on behalf of the shareholders.

Additionally the withdrawal agreement required cash provisioning by OTML for mine closure and provides a scheme for retention of a responsible and skilled mine management team including transfer of existing BHP Billiton Group Ok Tedi staff to OTML.

The BHP Billiton Group also provides financial support to the Program Company by way of a fully repayable, interest free funding facility of US$100 million for a period of three years (until it has built up its own fund) with repayment arrangements if these are used. As any allocations from the funding facility are fully repayable, BHP Billiton's assessment is that these arrangements do not require provisioning in the BHP Billiton Group's accounts.

The financial support provided by the BHP Billiton Group ensures the Program Company has immediate access to finance for environmental remediation or other capital requirements, in accordance with its shareholder obligations, prior to the accumulation of sufficient funds in the Program Company from future dividend flows.

Following the equity transfer, the BHP Billiton Group no longer benefits financially from the Ok Tedi mine operations and, as a result, the BHP Billiton Group negotiated the agreement for its withdrawal to provide protection from any future liabilities including legal claims. The legal arrangements encompass a series of legal releases, indemnities and warranties that safeguard the BHP Billiton Group's interests following its formal exit from the project.

(d) The provision for post-retirement benefits includes pension liabilities of US$65 million (2002: US$31 million).

Notes to Financial Statements continued

22 Called up share capital and contributed equity

	2003 US$M	2002 US$M	2001 US$M
BHP Billiton Plc			
Authorised share capital			
3 000 000 000 ordinary shares of US$0.50 each (2002: 3 000 000 000; 2001: 3 000 000 000)	**1 500**	1 500	1 500
50 000 (2002: 50,000; 2001: 50 000) 5.5% preference shares of £1 each (a)	**–**	–	–
1 Special Voting Share (2002: 1; 2001: 1) of US$0.50 (b)	**–**	–	–
1 Equalisation Share (2002: 1; 2001: 1) of US$0.50 (c)	**–**	–	–
	1 500	1 500	1 500
Allotted, called up and fully paid share capital			
2 468 147 002 ordinary shares of US$0.50 each (2002: 2 319 147 885; 2001: 2 319 147 885)	**1 234**	1 160	1 160
50 000 (2002: 50 000; 2001: 50 000) 5.5% preference shares of £1 each (a)	**–**	–	–
1 Special Voting Share (2002: 1; 2001: 1) of US$0.50 (b)	**–**	–	–
	1 234	1 160	1 160

Notes to Financial Statements continued

	Number of shares		
	2003	2002	2001
Movements in called up fully paid ordinary shares			
Opening number of shares	**2 319 147 885**	2 319 147 885	2 138 032 287
Bonus shares issued (d)	**148 999 117**	–	–
Shares issued under ordinary share placement (e)	**–**	–	181 115 598
Closing number of shares	**2 468 147 002**	2 319 147 885	2 319 147 885

	2003 US$M	2002 US$M	2001 US$M
BHP Billiton Limited			
Paid up contributed equity (f)			
3 747 687 775 ordinary shares fully paid (2002: 3 724 893 687; 2001: 3 704 256 885)	**1 785**	3 143	3 039
240 000 ordinary shares paid to A$1.40 (2002: 320 000; 2001: 385 000) (h)	**–**	–	–
1 095 000 ordinary shares paid to A$1.36 (2002: 2 305 000; 2001: 3 656 500) (h)	**–**	–	–
1 Special Voting Share (2002: 1; 2001: 1) (b)	**–**	–	–
	1 785	3 143	3 039

	Number of shares		
	2003	2002	2001
Movements in fully paid ordinary shares			
Opening number of shares	**3 724 893 687**	3 704 256 885	1 781 493 241
Shares issued on exercise of Employee Share Plan options (i)	**20 165 784**	22 955 508	7 798 200
Shares issued on exercise of Performance Rights (i)	**918 120**	–	150 920
Bonus shares issued (g)	**–**	–	1 912 154 524
Partly paid shares converted to fully paid (h)	**1 710 184**	1 815 916	2 660 000
Shares bought back and cancelled (j)	**–**	(4 134 622)	–
Closing number of shares (k)	**3 747 687 775**	3 724 893 687	3 704 256 885

(a) Preference shares have the right to repayment of the amount paid up on the nominal value and any unpaid dividends in priority to the holders of any other class of shares in BHP Billiton Plc on a return of capital or winding up. The holders of preference shares have limited voting rights if payment of the preference dividends are six months or more in arrears or a resolution is passed changing the rights of the preference shareholders. Since the merger these shares have been beneficially held by J.P. Morgan plc.

(b) Each of BHP Billiton Plc and BHP Billiton Limited issued one Special Voting Share to facilitate joint voting by shareholders of BHP Billiton Plc and BHP Billiton Limited on Joint Electorate Actions.

(c) The Equalisation Share was authorised to enable a distribution to be made by BHP Billiton Plc to the BHP Billiton Limited Group should this be required under the terms of the DLC merger. The Directors have the ability to issue the Equalisation Share if required under those terms. The Constitution of BHP Billiton Limited allows the Directors of that Company to issue a similar Equalisation Share.

(d) Upon the demerger of the BHP Steel business in July 2002, bonus shares of BHP Billiton Plc were issued to BHP Billiton Plc shareholders to reflect the value distributed to shareholders of BHP Billiton Limited as a result of the demerger (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held).

(e) In September 2000, 235 000 000 ordinary shares were placed at a price of 265 pence per share. The placing comprised 181 115 598 new shares and 53 884 402 shares held under the share repurchase scheme.

(f) Contributed equity decreased by US$1 456 million due to the demerger of BHP Steel in July 2002. This reflected a capital reduction of A$0.69 per share. The demerger resulted in BHP Billiton Limited shareholders being issued one BHP Steel Limited share for every five BHP Billiton Limited shares held.

(g) The DLC merger between BHP Billiton Plc and BHP Billiton Limited was established on 29 June 2001. Under the terms of the DLC merger BHP Billiton Limited issued fully paid bonus shares effective 29 June 2001 with the allotment of shares occurring on 9 July 2001. Refer to Merger Terms in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'.

(h) 80 000 (2002: 65 000; 2001: 30 000) shares paid to A$1.40 and 1 210 000 (2002: 1 351 500; 2001: 2 630 000) shares paid to A$1.36 were converted to fully paid during 2003. There were no partly paid shares issued during the year (2002: nil; 2001: nil). Including bonus shares, 1 710 184 (2002: 1 815 916; 2001: 2 660 000) shares were issued on conversion of these partly paid shares. 282 000 (2002: 650 000) partly paid shares are entitled to 321 984 (2002: 692 315) bonus shares on becoming fully paid. As a consequence of the BHP Steel demerger, an interim call of A$0.69 per share was made on partly paid shares and the capital reduction amount was applied to meet this call.

(i) The number of shares issued on exercise of options and Performance Rights after 7 July 2001 includes bonus shares.

(j) During the year ended 30 June 2003, BHP Billiton Limited did not repurchase any shares in accordance with its announced share buy-back program. During the year ended 30 June 2002, BHP Billiton Limited repurchased 4 134 622 shares at a weighted average price of A$8.83 per share. The buy-back program allows for the purchase of up to 186 million BHP Billiton Limited shares (adjusted for the bonus issue), less the number of BHP Billiton Plc shares purchased on-market by Nelson Investment Limited.

(k) During the period 1 July 2003 to 9 September 2003, 155 000 Executive Share Scheme partly paid shares were paid up in full, 2 978 357 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan options and 813 709 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Performance Share Plan Performance Rights.

Notes to Financial Statements continued

23 Employee share ownership plans

Summary of BHP Billiton Group employee share ownership plans
The following table is a summary of the awards made under the employee share ownership plans of BHP Billiton Plc and BHP Billiton Limited.

The subsequent tables and associated footnotes provide more information in relation to that contained in the summary table.

The details of the plans, including comparatives, are presented including, where applicable, a bonus element to which the participant became entitled as a result of the DLC merger on 29 June 2001 and the BHP Steel Limited demerger on 1 July 2002.

	Number of awards outstanding at 30 June 2003	Number of awards issued during year ended 30 June 2003	Fair value of an award issued during year ended 30 June 2003 US$
BHP Billiton Plc employee share awards			
Group Incentive Scheme	**3 634 251**	**3 966 768**	**1.08**
Restricted Share Scheme	**4 608 382**	**–**	**–**
Co-Investment Plan	**837 450**	**–**	**–**
BHP Billiton Limited employee share awards			
Group Incentive Scheme	**7 313 516**	**7 510 243**	**1.13**
Employee Share Plan (shares)	**20 508 095**	**–**	**–**
Employee Share Plan (options)	**37 571 802**	**67 500**	**1.22**
Executive Share Scheme (partly paid shares)	**1 656 984**	**–**	**–**
Performance Share Plan (LTI)	**7 924 676**	**–**	**–**
Performance Share Plan (MTI)	**238 940**	**–**	**–**
Bonus Equity Share Plan (shares)	**856 345**	**–**	**–**

The following tables relate to awards issued under the BHP Billiton Plc Restricted Share Scheme and BHP Billiton Plc Co-Investment Plan as well as shares and options issued under the BHP Billiton Limited Employee Share Plan, partly paid shares issued under the BHP Billiton Limited Executive Share Scheme, performance rights issued under the BHP Billiton Limited Performance Share Plan, shares issued under the BHP Billiton Limited Bonus Equity Share Plan and awards issued under the BHP Billiton Group Incentive Scheme.

	Restricted Share Scheme awards (a)			Co-Investment Plan awards (b)		
	2003	2002	2001	**2003**	2002	2001
Number of awards issued since the DLC merger (c)	**5 657 555**	5 657 555		**1 023 425**	1 023 425	
During the financial year						
Number of awards remaining at the beginning of the financial year	**5 351 690**	–		**1 000 399**	-	
Number of awards issued	**–**	5 657 555		**–**	1 023 425	
Number of awards exercised	**(426 604)**	(56 568)		**(45 415)**	(6 525)	
Number of awards lapsed	**(316 704)**	(249 297)		**(117 534)**	(16 501)	
Number of awards remaining at the end of the financial year	**4 608 382**	5 351 690		**837 450**	1 000 399	
Exercisable	**–**	–		**–**	–	
Not exercisable	**4 608 382**	5 351 690		**837 450**	1 000 399	
Number of employees participating in awards issued	**–**	239		**–**	126	
Market value of awards issued (US$ million) (d)	**–**	–		**–**	–	
Proceeds from awards issued (US$ million)	**–**	–		**–**	–	
Number of employees exercising awards	**22**	8		**10**	2	
Market value of shares on exercise of awards (US$ million)	**2**	–		**–**	–	

Notes to Financial Statements continued

	Group Incentive Scheme Performance Shares (BHP Billiton Plc) (e)			Group Incentive Scheme Performance Shares (BHP Billiton Limited) (e)		
	2003	2002	2001	**2003**	2002	2001
Number of awards issued since commencement of the Plan	**3 966 768**			**7 510 243**		
During the financial year						
Number of awards remaining at the beginning of the financial year	**–**			**–**		
Number of awards issued	**3 966 768**			**7 510 243**		
Number of awards exercised	**–**			**–**		
Number of awards lapsed	**(332 517)**			**(196 727)**		
Number of awards remaining at the end of the financial year	**3 634 251**			**7 313 516**		
Exercisable	**–**			**–**		
Not exercisable	**3 634 251**			**7 313 516**		
Number of employees participating in awards issued	**221**			**424**		
Market value of awards issued (US$ million) (d)	**–**			**–**		
Proceeds from awards issued (US$ million)	**–**			**–**		
Number of employees exercising awards	**–**			**–**		
Market value of shares on exercise of awards (US$ million)	**–**			**–**		

	Employee Share Plan Options (f)			Weighted Average Exercise Price (A$)		
	2003	2002	2001	**2003**	2002	2001
Number of awards issued since commencement of the Plan	**178 032 575**	177 965 075	163 887 575			
During the financial year						
Number of awards remaining at the beginning of the financial year	**60 994 303**	74 588 800	87 217 403	**8.29**	7.92	7.92
Number of awards issued	**67 500**	14 077 500	15 244 569	**8.95**	8.98	9.13
Number of awards exercised	**(20 165 784)**	(22 955 508)	(16 104 063)	**7.25**	7.66	7.59
Number of awards lapsed	**(3 324 217)**	(4 716 489)	(11 769 109)	**7.53**	7.78	7.73
Number of awards remaining at the end of the financial year	**37 571 802**	60 994 303	74 588 800	**7.81**	8.29	7.92
Exercisable	**15 899 927**	32 297 444	18 643 279	**7.03**	7.62	7.54
Not exercisable	**21 671 875**	28 696 859	55 945 521	**8.38**	9.04	8.06
Number of employees participating in awards issued	**1**	266	367			
Market value of awards issued (US$ million) (d)	**–**	–	–			
Proceeds from awards issued (US$ million)	**–**	–	–			
Number of employees exercising awards	**9 857**	12 081	9 431			
Market value of shares on exercise of awards (US$ million)	**121**	132	84			
Proceeds from exercise of options (US$ million)	**83**	94	65			

	Employee Share Plan Shares (f)			**Executive Share Scheme Partly Paid Shares (h)**		
	2003	2002	2001	**2003**	2002	2001
Number of awards issued since commencement of the Plan	**373 745 102**	373 745 102	373 745 102	**50 529 280**	50 529 280	50 529 280
During the financial year						
Number of awards remaining at the beginning of the financial year	**45 827 460**	62 781 518	87 469 376	**3 367 168**	5 183 084	8 625 929
Number of awards issued	**–**	–	–	**–**	–	–
Number of awards exercised	**(25 319 365)**	(16 954 058)	(24 687 858)	**(1 710 184)**	(1 815 916)	(3 442 845)
Number of awards lapsed	**–**	–	–	**–**	–	–
Number of awards remaining at the end of the financial year	**20 508 095**	45 827 460	62 781 518	**1 656 984**	3 367 168	5 183 084
Exercisable	**20 508 095**	45 827 460	62 781 518	**1 656 984**	3 367 168	5 183 084
Not exercisable	**–**	–	–	**–**	–	–
Number of employees participating in awards issued				**–**	–	–
Market value of awards issued (US$ million) (d)				**–**	–	–
Proceeds from awards issued (US$ million)				**–**	–	–
Number of employees exercising awards				**11**	14	15
Market value of shares on exercise of awards (US$ million)				**7**	8	14
Employee Share Plan Loans outstanding (US$ million) (g)	**71**	135	166			
Proceeds from conversion of partly paid shares (US$ million)				**10**	10	22

Notes to Financial Statements continued

	Performance Share Plan Performance Rights (i)(j)(k)			Bonus Equity Share Plan Shares (l)		
	2003	2002	2001	**2003**	2002	2001
Number of awards issued since commencement of the Plan	**12 679 547**	12 679 547	7 152 430	**1 016 845**	1 016 845	
During the financial year						
Number of awards remaining at the beginning of the financial year	**10 293 469**	6 234 311	1 836 241	**1 016 845**	–	
Number of awards issued	**–**	5 527 117	4 857 130	**–**	1 016 845	
Number of awards exercised	**(1 901 694)**	(1 235 794)	(459 060)	**(135 945)**	–	
Number of awards lapsed	**(228 159)**	(232 165)	–	**(24 555)**	–	
Number of awards remaining at the end of the financial year	**8 163 616**	10 293 469	6 234 311	**856 345**	1 016 845	
Exercisable	**–**	57 384	–	**–**	–	
Not exercisable	**8 163 616**	10 236 085	6 234 311	**856 345**	1 016 845	
Number of employees participating in awards issued	**–**	118	115	**–**	117	
Market value of awards issued (US$ million) (d)	**–**	–	–	**–**	–	
Proceeds from awards issued (US$ million)	**–**	–	–	**–**	–	
Number of employees exercising awards	**22**	21	1	**26**	–	
Market value of shares on exercise of awards (US$ million)	**8**	6	2	**1**	–	

					Awards outstanding at:			
Month of issue	Number issued	Number of recipients	Number exercised	Number lapsed	June 30, 2003	September 9, 2003	Exercise price (m)	Exercise period / release date
Group Incentive Scheme Performance Shares (BHP Billiton Plc)								
November 2002	3 966 768	221	–	332 517	3 634 251	3 556 429	–	July 2005 – June 2008
					3 634 251	**3 556 429**		
Restricted Share Scheme (n)								
November 2001(Share awards)	292 577	1	–	169 358	123 219	123 219	–	Nov 2004
October 2001 (Share awards)	4 446 532	197	367 133	384 546	3 694 853	3 572 357	–	Nov 2004
October 2001 (Options)	918 446	41	116 039	12 097	790 310	776 049	–	Oct 2004 – Sept 2008
					4 608 382	**4 471 625**		
Co-Investment Plan (n)								
November 2001	100 945	1	–	58 637	42 308	42 298	–	Nov 2003 – April 2006
October 2001	922 480	125	51 940	75 398	795 142	685 369	–	Oct 2003 – March 2006
					837 450	**727 667**		
Group Incentive Scheme Performance Shares (BHP Billiton Limited)								
November 2002	7 510 243	424	–	196 727	7 313 516	7 301 322	–	July 2005 – June 2008
					7 313 516	**7 301 322**		
Employee Share Plan Options								
September 2002	67 500	1	–	–	67 500	67 500	A$8.95	Oct 2004 – Sept 2011
November 2001	6 870 500	113	231 387	361 384	6 277 729	5 717 600	A$8.30	Oct 2004 – Sept 2011
November 2001	7 207 000	153	665 913	454 487	6 086 600	5 858 500	A$8.29	Oct 2004 – Sept 2011
December 2000	3 444 587	67	247 812	262 262	2 934 513	2 797 990	A$8.72	July 2003 – Dec 2010
December 2000	2 316 010	59	503 884	155 738	1 656 388	1 645 121	A$8.71	July 2003 – Dec 2010
November 2000	1 719 196	44	245 747	263 701	1 209 748	1 095 783	A$8.28	July 2003 – Oct 2010
November 2000	7 764 776	197	3 892 714	432 665	3 439 397	3 372 926	A$8.27	July 2003 – Oct 2010
April 2000	61 953	3	–	–	61 953	61 953	A$7.60	April 2003 – April 2010
April 2000	937 555	5	–	138 362	799 193	760 473	A$7.60	April 2003 – April 2010
December 1999	413 020	1	–	–	413 020	413 020	A$8.61	April 2002 – April 2009
December 1999	309 765	1	–	–	309 765	309 765	A$7.50	April 2002 – April 2009
October 1999	123 906	6	103 255	20 651	–	–	A$7.57	April 2002 – April 2009
October 1999	105 320	3	14 456	30 976	59 888	59 888	A$7.57	April 2002 – April 2009
July 1999	206 510	1	–	–	206 510	206 510	A$7.60	April 2002 – April 2009
April 1999	44 474 820	45 595	14 343 772	20 669 379	9 461 669	8 365 927	A$6.92	April 2002 – April 2009
April 1999	16 901 398	944	6 055 906	6 257 563	4 587 929	3 458 320	A$6.92	April 2002 – April 2009
April 1998	366 555	16	325 253	41 302	–	–	A$6.45	April 2001 – April 2003
April 1998	289 114	23	268 463	20 651	–	–	A$6.44	April 2001 – April 2003
November 1997	3 261 619	3 501	2 490 511	771 108	–	–	A$6.84	Nov 2000 – Nov 2002
November 1997	16 336 800	16 411	13 658 778	2 678 022	–	–	A$6.84	Nov 2000 – Nov 2002
October 1997	11 234 144	511	11 047 252	186 892	–	–	A$6.73	Oct 2000 – Oct 2002
October 1997	8 243 879	379	7 823 631	420 248	–	–	A$6.73	Oct 2000 – Oct 2002
July 1997	413 020	1	413 020	–	–	–	A$8.49	July 2000 – July 2002
July 1997	816 747	36	673 223	143 524	–	–	A$8.49	July 2000 – July 2002
					37 571 802	**34 191 276**		

presented in US dollars and prepared in accordance with UK GAAP

Notes to Financial Statements continued

Month of issue	Number issued	Number of recipients	Number exercised	Number lapsed	Awards outstanding at: June 30, 2003	September 9, 2003	Exercise price (m)	Exercise period/ release date
Performance Share Plan Performance Rights (n)								
November 2001 (LTI)	5 114 298	110	239 182	254 046	4 621 070	4 545 816	–	Oct 2004 – Sept 2011
October 2001 (LTI)	173 879	2	–	–	173 879	173 879	–	Oct 2004 – Sept 2011
October 2001(MTI)	238 940	6	–	–	238 940	238 940	–	Oct 2003 – Mar 2006
December 2000 (LTI)	415 510	11	–	–	415 510	319 210	–	July 2003 – Dec 2010
November 2000 (LTI)	4 441 620	104	1 521 126	206 277	2 714 217	2 072 070	–	July 2003 – Oct 2010
March 1999 (LTI)	2 295 300	1	2 295 300	–	–	–	–	Mar 1999 – Mar 2009
					8 163 616	**7 349 915**		
Bonus Equity Share Plan Shares								
November 2001	1 016 845	117	135 945	24 555	856 345	852 928	–	Nov 2004 – Oct 2006
					856 345	**852 928**		

Fair valuation of employee share awards (o)

Fair valuation of awards as presented below represents the value of awards issued under employee share ownership plans of BHP Billiton Plc and BHP Billiton Limited. The values relate to the awards granted during the financial year and are measured at grant date.

	2003 US$	2002 US$	2001 US$
Fair value of a Group Incentive Scheme Performance Share (BHP Billiton Plc)	**1.08**		
Fair value of a Group Incentive Scheme Performance Share (BHP Billiton Limited)	**1.13**		
Fair value of an Employee Share Plan Option	**1.22**	1.22	1.61
Fair value of a Restricted Share Scheme award		1.65	
Fair value of a Co-Investment Plan matching award		2.63	
Fair value of a Performance Right (LTI)		1.86	3.70
Fair value of a Performance Right (MTI)		2.97	
Fair value of a Bonus Equity Share Plan award (p)		4.76	

presented in US dollars and prepared in accordance with UK GAAP

Notes to Financial Statements continued

The fair values of awards granted were estimated using Black-Scholes option pricing techniques. Significant assumptions used in applying this formula were as follows:

	2003	2002	2001
Group Incentive Scheme Performance Shares (BHP Billiton Plc)			
Risk free interest rate	4.6%		
Estimated life of awards	5 years(q)		
Estimated volatility of share price	20.0%		
Estimated per annum lapses due to attrition of participants over term	5.0%(r)		
Dividend yield	2.5%		
Group Incentive Scheme Performance Shares (BHP Billiton Limited)			
Risk free interest rate	4.6%		
Estimated life of awards	5 years(q)		
Estimated volatility of share price	20.0%		
Estimated per annum lapses due to attrition of participants over term	5.0%(r)		
Dividend yield	2.5%		
Employee Share Plan options			
Risk free interest rate	4.8%	4.8%	6.6%
Estimated life of options	5 years(q)	5 years(q)	10 years(q)
Estimated volatility of share price	20.0%	20.0%	30.3%
Estimated amount of dividends per share			A$0.247
Dividend yield	2.2%	2.2%	
Restricted Share Scheme awards			
Risk free interest rate		4.8%	
Estimated life of awards		5 years(q)	
Estimated volatility of share price		20.0%	
Dividend yield		2.2%	
Co-Investment Plan matching awards			
Risk free interest rate		4.6%	
Estimated life of awards		4 years(q)	
Estimated volatility of share price		20.0%	
Dividend yield		2.2%	
Performance Rights (LTI)			
Risk free interest rate		4.8%	6.6%
Estimated life of Performance Rights		5 years(q)	10 years(q)
Estimated volatility of share price		20.0%	30.3%
Estimated amount of dividends per share			A$0.247
Dividend yield		2.2%	
Performance Rights (MTI)			
Risk free interest rate		4.6%	
Estimated life of Performance Rights		4 years(q)	
Estimated volatility of share price		20.0%	
Dividend yield		2.2%	

(a) Awards under the Restricted Share Scheme (RSS) were made at the discretion of the Trustees of the Billiton Employee Share Ownership Trust or by BHP Billiton Plc. In respect of the executive Directors, awards were made on the recommendation of the Remuneration Committee and, in the case of other employees, the Remuneration Committee recommended the level of award following proposals from the Executive Committee. An award takes the form of conditional awards or share options in BHP Billiton Plc and was made subject to performance hurdles that were set by the Remuneration Committee. The Remuneration Committee also recommended the value of the ordinary shares to constitute an award and this value did not exceed 100 per cent of a participant's annual base salary.

Subject to the performance hurdles being met and the extent to which they are met, the award will vest and the participant will become entitled to the appropriate number of ordinary shares, or if relevant entitled to exercise options over the relevant number of ordinary shares. The Employee Share Ownership Trust (ESOP Trust) is a discretionary Trust for the benefit of all employees of BHP Billiton Plc and its subsidiaries. The Trustee is an independent company, resident in Jersey. The Trust uses funds provided by BHP Billiton Plc and/or its subsidiaries as appropriate to acquire ordinary shares to enable awards to be made or satisfied under the RSS. The ordinary shares may be acquired by purchase in the market or by subscription at not less than nominal value.

If prior to vesting of an award, a participant ceases to be employed because of resignation or termination for cause, that award will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the award will become exercisable depending on the circumstances of cessation.

Awards were made in October 2001 and November 2001 upon the following terms:

(i) one performance hurdle compares BHP Billiton Plc's total shareholder return (TSR) over the performance period with a global comparator group of companies over the same period.

(ii) awards will vest by reference to the relative position of BHP Billiton Plc's TSR compared to the global comparator group of companies.

(iii) if the performance hurdles are not achieved by the end of a three-year period, then 75 per cent of the award lapses. The performance hurdles are measured again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, then the remaining 25 per cent of the award lapses.

(iv) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Plc's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the UK Retail Price Index.

(v) the percentage of shares that vest under the RSS will not be greater than the percentage of Performance Rights that can be exercised under the BHP Billiton Limited Performance Share Plan (PSP). The performance hurdles under the PSP are calculated on the same basis as those described above, but using the BHP Billiton Limited TSR compared to the TSR of the same global comparator group, and the Australian Consumer Price Index as the basis for the absolute measure. Refer footnote (i) below.

(vi) awards are not transferable, carry no right to dividends and no voting rights. Where there is a share issue before an award vests, the number of shares that constitute the award is adjusted at the discretion of the Remuneration Committee.

(b) Invitations to participate in the Co-Investment Plan (CIP) were made by the Remuneration Committee to selected employees (including executive Directors) of the BHP Billiton Plc Group. The selected employees were asked to indicate the proportion of their discretionary annual bonus for the current financial year they wished to invest in the CIP subject to the minimum and maximum investment limits set by the Remuneration Committee. Within those limits, part of the bonus that would otherwise have been paid in cash was used by the ESOP Trust to acquire ordinary shares in BHP Billiton Plc. These are known as committed shares. Each invitee who acquired committed shares was also granted an award (a matching award) over shares in BHP Billiton Plc. The matching award entitles the participant to acquire a number of shares in BHP Billiton Plc for nil consideration, subject to the satisfaction of performance hurdles and the continuing employment of the participant.

If prior to vesting of a matching award, a participant ceases to be employed because of resignation or termination for cause, the participant's committed shares will be forfeited and the related matching award will also lapse and cease to be exercisable. If a participant ceases to be employed for any other reason, then the entire committed share vests and either all or a proportion of the matching award relevant for the period of cessation will vest, depending on the circumstances of cessation. Awards issued as presented in the preceding tables represents both committed awards and matching awards.

Notes to Financial Statements continued

Awards were made in October 2001 and November 2001 upon the following terms:

(i) one performance hurdle compares BHP Billiton Plc's TSR over the performance period with a global comparator group of companies over the same period.

(ii) awards will vest by reference to the relative position of BHP Billiton Plc's TSR compared to the global comparator group of companies.

(iii) the vesting of matching awards is determined by reference to two performance periods. The first performance period is two years in length. If the performance hurdles are achieved at the end of the first performance period, the corresponding number of shares under matching award will vest. At this time the participant has the option to remain within the plan and enter the second performance period or leave the plan. Should the participant leave the plan at the end of the first performance period, committed shares are released together with any shares under the matching award that may have vested. All remaining shares under the matching award lapse.

(iv) the second performance period is a further two years. At the end of this two-year period, subject to continuing employment, committed shares will be released and a number of shares subject to a matching award will vest to the extent the performance hurdles are met. If the performance hurdles have not been met at the end of the second performance period no additional shares under the matching award will vest. However, any shares that vested under the matching award for the first performance period may be exercised and the remaining shares under the matching award that have not vested will lapse.

(v) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Plc's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the UK Retail Price Index.

(vi) the percentage of shares under the matching award that vest cannot be greater than the percentage of the matching awards that vest under the BHP Billiton Limited Medium Term Incentive (MTI) plan. The performance hurdles under the MTI are calculated on the same basis as those described above, but using the BHP Billiton Limited TSR compared to the TSR of the same global comparator group, and the Australian Consumer Price Index as the basis of the absolute measure. Refer footnote (j) below.

(vii) awards are not transferable. Awards carry no right to dividends and no voting rights. Where there is a share issue before an award vests, the number of shares that constitute the matching award is adjusted at the discretion of the Remuneration Committee.

(c) All awards issued under the RSS and CIP prior to June 2001 vested as a consequence of the DLC merger. Data as presented reflects awards granted after completion of the DLC merger only.

(d) Options, Performance Rights and awards issued under the Group Incentive Scheme, Bonus Equity Share Plan, RSS and CIP are not transferable nor are they listed and as such do not have a market value. Refer footnote (o) for estimated fair values.

(e) The Group Incentive Schemes were approved by shareholders at the 2002 Annual General Meeting. The Group granted Performance Shares to participants in November 2002 under transition arrangements of the Schemes, subject to achievement of specified performance hurdles. The Performance Shares granted are subject to meeting the three-year TSR and Earnings Per Share (EPS) performance hurdles at the end of the three-year performance period. The EPS growth threshold will be satisfied if the compound EPS growth for the Group during the performance period is at least equal to the higher of the increase in the Australian Consumer Price Index and the increase in the UK Retail Price Index, plus 2 per cent per annum, over the performance period. The TSR threshold is based on whether the TSR achieved by the peer group companies is greater than the TSR achieved by either BHP Billiton Limited or BHP Billiton Plc (whichever is lower) over the performance period. In essence, TSR is measured by the sum of any increase in share price of, plus dividends paid by, the various companies.

(f) The Employee Share Plan provided eligible employees of BHP Billiton Limited Group with the opportunity to acquire fully paid ordinary shares or options for ordinary shares in BHP Billiton Limited at such times as the Board deemed appropriate. These ordinary shares are issued from share capital. If prior to vesting of an option, a participant ceases to be employed because of resignation or termination for cause, that option will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the options will become exercisable depending on the circumstances of cessation.

Shares and options were issued under the Employee Share Plan on the following terms:

(i) shares were offered for subscription for market value (which is the weighted average market price over the five days prior to issue) less a discount not exceeding 10 per cent. The exercise price of an option is the market value less a discount not exceeding 10 per cent.

(ii) where shares were offered, interest free employee loans were made available to fund the purchase of shares for a maximum period of 20 years, repayable by application of dividends or an equivalent amount. Any amounts outstanding are repayable at the end of employment or the 20-year period, whichever is earlier.

(iii) at cessation of employment an extension of the loan repayment period may be granted if the outstanding loan is in a non profitable position or if immediate payment may cause unnecessary hardship to the employee. The extension will be reviewed periodically. If during the extension period the shares become profitable or the circumstances causing the hardship no longer apply, BHP Billiton Limited will require repayment of the loan or arrange for the sale of those shares.

(iv) each option is granted over one unissued share in BHP Billiton Limited. Following the bonus issue allotment on 9 July 2001, on exercise of each option outstanding as at 29 June 2001, 2.0651 shares were issued. Although the exercise price was unaffected by the bonus share issue, data presented in the preceding tables has been adjusted to reflect the impact of the bonus issue on both the exercise price and the number of shares issued on exercise of options.

(v) the Board of Directors applied performance hurdles to the exercise of options issued in or after April 1999.

(vi) options granted in April 2000 are ten-year options, not exercisable until after three years, and then only if performance hurdles are achieved. These performance hurdles relate to two comparator groups (ASX 100 index and a global comparator group). BHP Billiton Limited's performance in terms of TSR is measured against both of these groups to determine if performance hurdles have been achieved.

(vii) options granted from November to December 2000 do not become exercisable until after 30 June 2003 and then only if performance hurdles are achieved. These performance hurdles relate to the ASX 100 index. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. The options lapse if the hurdles have not been achieved within a two-year period. If the options are exercisable, they lapse ten years after issue.

(viii) options granted in November 2001 do not become exercisable until after 30 September 2004 and then only if performance hurdles are achieved. These performance hurdles relate to the ASX 100 index. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. If the hurdles are not achieved by 30 September 2004, then 75 per cent of the options lapse. The TSR measurement is taken again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, the remaining 25 per cent of the options lapse. If the options are exercisable, they lapse on 30 September 2011.

(ix) options are not transferable. Options carry no right to dividends and no voting rights. Where there is a share issue before an option is exercised, the number of shares awarded on exercise will increase accordingly.

(x) unexercised options will expire at the end of the exercise period.

(g) Classified on the balance sheet as other debtors.

(h) The Executive Share Scheme provided for senior executives to acquire partly paid ordinary shares in BHP Billiton Limited.

Partly paid shares issued under the Executive Share Scheme were issued on the following terms:

(i) only full-time executive employees (including executive Directors) were eligible. Any eligible executive who participated in the Employee Share Plan was ineligible to participate in the Executive Share Scheme.

(ii) shares were offered at an issue price determined by the Board which was not less than a 10 per cent discount nor more than a 10 per cent premium on the current market price (measured over a five-day period).

(iii) the balance outstanding on ordinary shares must be paid not later than 20 years after the date of issue. The balance of the price must also be paid no later than two years after termination of employment, but may be paid at any earlier time chosen by a participant.

(iv) the price payable at the time of compulsory payment may be varied if the market price (adjusted for the effects of any bonus, rights or other issue) is then lower than the issue price.

(v) there is no entitlement to dividends on the Scheme shares while they remain partly paid, unless the Board determines otherwise.

(vi) shares issued under the Scheme prior to June 1996 are eligible immediately (even though partly paid) to participate in bonus, rights or other issues on the same basis as BHP Billiton Limited's other ordinary shares. These bonus shares are held in escrow until the Scheme shares are fully paid.

(vii) in respect of Scheme shares issued after June 1996, the issue of bonus shares will be deferred until the underlying Scheme shares are fully paid. Such bonus shares will not attract or accrue dividends while their issue is deferred. Data as presented in the preceding tables has been adjusted to reflect the impact of the bonus issue which resulted from the DLC merger.

(viii) voting rights attach in proportion to the amount paid up. Full voting rights apply when the shares are fully paid.

Notes to Financial Statements continued

(i) Performance Rights have been issued to executive officers under the BHP Billiton Limited Performance Share Plan as long-term incentives (LTI). Performance Rights constitute a right, issued by a trustee of a special purpose trust established by BHP Billiton Limited, to require the trustee to acquire a BHP Billiton Limited share on behalf of the participant, upon fulfilment of prescribed performance hurdles or completion of service conditions. Where a service condition or performance hurdle is fulfilled, related Performance Rights are exercisable. The trustee acquires shares either by purchase on market or subscription, and the shares are then held in trust until the participant requests that they be transferred. If prior to vesting of a Performance Right, a participant ceases to be employed because of resignation or termination for cause, the Performance Right will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the Performance Rights will become exercisable depending on the circumstances of cessation.

In addition to the above, Performance Rights were issued on the following terms:

(i) the exercise price of Performance Rights is nil. Performance Rights are not transferable. Performance Rights carry no right to dividends, and no voting rights. Where there is a share issue before a Performance Right is exercised, the number of shares awarded on exercise will increase accordingly.

(ii) Performance Rights will lapse if performance hurdles or service conditions are not satisfied or in other specified situations. Generally, Performance Rights lapse on the tenth anniversary of their date of issue unless previously exercised or lapsed in accordance with their terms of issue.

(iii) the performance hurdles attached to Performance Rights issued from November to December 2000 relate to a global comparator group of companies. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. This measurement was first taken on 30 June 2003 and the Performance Rights lapse if the hurdles have not been achieved within the two years following this date.

(iv) the performance hurdles attached to Performance Rights issued in October and November 2001 relate to a global comparator group of companies. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies and the Australian Consumer Price Index to determine if the performance hurdles have been achieved. If the hurdles are not achieved by 30 September 2004, then 75 per cent of the Performance Rights lapse. The performance hurdles are measured again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, then the remaining 25 per cent of the Performance Rights lapse. The percentage of Performance Rights that vest cannot be greater than the percentage of shares that vest under the RSS. Refer footnote (a) above.

(j) Performance Rights were also issued to executive officers in October 2001 as medium term incentives (MTI) with separate terms from those discussed in (i) above. This had the effect of aligning the remuneration policy applied to the executives of the BHP Billiton Limited Group with that applied to executives of the BHP Billiton Plc Group who are able to participate in the Co-Investment Plan.

The participants indicated the proportion of their incentive plan award for the current financial year to invest as medium term incentives, subject to the minimum and maximum investment limits set by the Remuneration Committee. Within those limits, part of the bonus that would otherwise have been paid in cash was used to acquire Performance Rights. This is known as the committed award.

Each participant who acquired a committed award was also granted a matching award of Performance Rights over shares in BHP Billiton Limited. The matching award entitles participants to acquire a number of shares in BHP Billiton Limited for nil consideration, subject to the satisfaction of performance hurdles and the continuing employment of the participant. If prior to vesting of a matching award, a participant ceases to be employed because of resignation or termination for cause, the participant's committed award will be forfeited, the related matching award will lapse and Performance Rights cease to be exercisable.

If a participant ceases to be employed for any other reason, then the entire committed award vests and either all or a proportion of the Performance Rights under the matching award relevant for the period of cessation will vest, depending on the circumstances of cessation.

The awards have been made on the following terms:

(i) one performance hurdle compares BHP Billiton Limited's TSR over the performance period with the global comparator group of companies over the same period.

(ii) awards will vest by reference to the relative position of BHP Billiton Limited's TSR compared to the global comparator group of companies.

(iii) the vesting of matching awards is determined by reference to two performance periods. The first performance period is two years in length. If the performance hurdles are achieved at the end of the first performance period, the corresponding number of Performance Rights under the matching award will vest. At this time the participant has the option to remain within the plan and enter the second performance period or leave the plan. Should the participant leave the plan at the end of the first performance period, the committed award becomes exercisable together with any Performance Rights under the matching award that may have vested. All remaining Performance Rights under the matching award lapse.

(iv) the second performance period is a further two years. At the end of this two-year period, subject to continuing employment, the committed award becomes exercisable and the corresponding number of Performance Rights subject to a matching award will vest to the extent the performance hurdles are met. If the performance hurdles have not been met at the end of the second performance period no additional Performance Rights under the matching award will vest. However, any Performance Rights that vested under the matching award for the first performance period may be exercised, and the remaining Performance Rights under the matching award that have not vested will lapse.

(v) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Limited's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the Australian Consumer Price Index.

(vi) the percentage of Performance Rights under the matching award that vest cannot be greater than the percentage of shares that vest under the CIP. Refer footnote (b) above.

(vii) the exercise price of Performance Rights is nil. Performance Rights are not transferable. Performance Rights carry no right to dividends, and no voting rights. Where there is a share issue before a Performance Right is exercised, the number of shares awarded on exercise will increase accordingly.

(k) The number of shares received on exercise of Performance Rights issued in March 1999 have been increased following the spin-off of OneSteel Limited to reflect the capital reduction impact on the value of BHP Billiton Limited shares. In addition, for Performance Rights on issue as at 29 July 2001 the number of shares received on exercise has been increased following the bonus issue, which resulted from the DLC merger. Following the BHP Steel demerger in July 2002, the number of shares received on exercise of Performance rights was increased to reflect the capital reduction impact on the value of BHP Billiton Limited shares.

(l) The Bonus Equity Share Plan provided eligible employees with the opportunity to take a portion of their incentive plan award in ordinary shares in BHP Billiton Limited. Eligibility was determined by the Board. Participants who elected to take their incentive plan award in shares under the Plan also received an uplift of 25 per cent so that for each A$1 of award taken as shares, A$1.25 worth of shares were provided. The shares were purchased on market. The shares awarded under this Plan are held in trust and may not be transferred or disposed of for at least a three-year period. The shares are allocated on the following terms:

(i) while the shares are held in trust, the participants are entitled to receive dividends on those shares, entitled to participate in bonus issues, may participate in rights issues, etc. and may direct the trustee on how to vote those shares at a general meeting of BHP Billiton Limited.

(ii) if employment ceases while the shares are in trust, the shares awarded as part of the 25 per cent uplift (or a portion of that uplift) may or may not be forfeited (depending upon the circumstances of the employment relationship ending).

(m)Although the exercise price of options was not affected by the bonus issue of shares, the exercise price for options have been adjusted to take into account the bonus issue of shares which took effect 29 June 2001 as a result of the DLC merger. Exercise prices were also reduced by A$0.66 (pre-bonus issue of shares) following the OneSteel Limited spin-off on 31 October 2000 and by A$0.69 following the BHP Steel Limited demerger in July 2002.

(n) Shares issued on exercise of Performance Rights and awards under the RSS and CIP include shares purchased on market.

(o) The values of all awards granted during the years ended 30 June 2003 and 30 June 2002 and of Employee Share Plan options and Performance Rights granted during the year ended 30 June 2001, including the significant key assumptions used to derive the values, have been determined by an actuary at the request of the BHP Billiton Group. The BHP Billiton Group believes the values represent a reasonable estimate. Nevertheless, the assumptions used are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the BHP Billiton Group. The different nature of the awards which have been issued, year on year, with respect to the performance hurdles which have been established and the qualifying periods before the awards vest, results in variations to the respective valuations. The actual value to the holder may differ materially from the values shown.

(p) The fair value of a Bonus Equity Share Plan award is equal to the market value of a BHP Billiton Limited share on the date of grant.

(q) Subject to performance conditions.

(r) The fair value of an award excluding the impact of attrition of participants is US$1.24 for a Group Incentive Scheme Performance Share (BHP Billiton Plc) and US$1.29 for a Group Incentive Scheme Performance Share (BHP Billiton Limited).

Notes to Financial Statements continued

24 Reserves

	Share premium account 2003 US$M	Profit and loss account 2003 US$M	Share premium account 2002 US$M	Profit and loss account 2002 US$M
At the beginning of the financial year	**592**	**7 461**	592	6 549
Retained profit for the year	**–**	**1 001**	–	906
BHP Billiton Limited share buy-back program	**–**	**–**	–	(19)
BHP Steel demerger (refer note 3)	**–**	**(33)**		
Bonus shares issued (a)	**(74)**	**–**	–	–
Exchange variations	**–**	**67**	–	25
At the end of the financial year (b)	**518**	**8 496**	**592**	**7 461**

(a) Upon the demerger of the BHP Steel business in July 2002 bonus shares of BHP Billiton Plc were issued to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held).

(b) Cumulative goodwill set off against reserves on acquisitions prior to 1 July 1998 amounts to US$761 million (2002: US$761 million).

25 Reconciliation of movements in shareholders' funds

	2003 US$M	2002 US$M	2001 US$M
Profit for the financial year	**1 901**	1 690	1 529
Other recognised gains and losses	**67**	25	(763)
Total recognised gains and losses	**1 968**	1 715	766
Dividends	**(900)**	(784)	(754)
Issue of ordinary shares for cash	**98**	104	744
Share repurchase scheme (a)			
BHP Billiton Plc	**(20)**	–	194
Share buy-back program (refer note 22)			
BHP Billiton Limited	**–**	(19)	–
Capital reduction on BHP Steel demerger (refer notes 3 and 22)	**(1 489)**	–	–
Capital reduction on OneSteel spin-off (b)	**–**	–	(650)
Transfer to profit and loss account for year (goodwill)	**–**	–	4
Net movement in shareholders' funds	**(343)**	1 016	304
Shareholders' funds at the beginning of the financial year	**12 356**	11 340	11 036
Shareholders' funds at the end of the financial year	**12 013**	12 356	11 340

(a) BHP Billiton Plc entered into an arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Nelson Investment Limited) established for that purpose. 3 890 000 ordinary shares were purchased in the year ended 30 June 2003 for an aggregate purchase price of US$20 million, which was funded by the BHP Billiton Group. The cost of purchasing these shares was deducted from shareholders' funds. There is no intention to trade these shares and no dividends are 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 consider that the arrangements are such that the shares owned by Nelson Investment Limited have effectively been repurchased by the BHP Billiton Group and so do 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. BHP Billiton Plc previously entered into a similar arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Strand Investment Holdings Limited) established for that purpose during the year ended 30 June 1999. During the year ended 30 June 2001 the shares held by Strand Investment Holdings Limited were reissued and no shares were held at 30 June 2001, 2002 or 2003.

(b) Contributed equity reduced in 2001 by US$650 million due to the spin-off of OneSteel Limited, including costs of US$30 million. This reflected a capital reduction of 66 Australian cents per share. The spin-off resulted in BHP Billiton Limited shareholders being issued one OneSteel Limited share for every four shares held in BHP Billiton Limited.

Notes to Financial Statements continued

26 Commitments

	2003 US$M	2002 US$M
Capital expenditure commitments not provided for in the accounts		
Due not later than one year	**1 184**	1 348
Due later than one year and not later than five years	**423**	271
Total capital expenditure commitments	**1 607**	1 619
Lease expenditure commitments		
Finance leases (a)		
Due not later than one year	**7**	6
Due later than one year and not later than five years	**34**	20
Due later than five years	**26**	30
Total commitments under finance leases	**67**	56
deduct Future financing charges	**14**	21
Finance lease liability	**53**	35
Operating leases (b)		
Due not later than one year (c)	**138**	169
Due later than one year and not later than five years	**348**	375
Due later than five years	**256**	274
Total commitments under operating leases	**742**	818
Other commitments (d)		
Due not later than one year		
Supply of goods and services	**199**	181
Royalties	**29**	27
Exploration expenditure	**104**	13
Chartering costs	**100**	55
	432	276
Due later than one year and not later than five years		
Supply of goods and services	**547**	579
Royalties	**39**	82
Exploration expenditure	**53**	28
Chartering costs	**127**	164
	766	853
Due later than five years		
Supply of goods and services	**721**	650
Royalties	**49**	150
Chartering costs	**33**	154
	803	954
Total other commitments	**2 001**	2 083

(a) Finance leases are predominantly related to leases of the dry bulk carrier Iron Yandi and other mobile equipment and vehicles. Refer notes 19 and 20.

(b) Operating leases are entered into as a means of acquiring access to property, plant and equipment. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. Certain leases contain extension and renewal options. Amounts represent minimum lease payments.

(c) The BHP Billiton Group has commitments under operating leases to make payments totalling US$138 million in the next year as follows:

	2003 US$M	2002 US$M
Land and buildings		
Leases which expire:		
Within one year	**7**	15
Between two and five years	**17**	6
Over five years	**14**	13
	38	34
Other operating leases		
Leases which expire:		
Within one year	**22**	80
Between two and five years	**43**	20
Over five years	**35**	35
	100	135

(d) Included in other commitments is an amount of US$738 million (2002: US$684 million) representing Boodarie Iron's continuing operating commitments under a number of take or pay contracts for supply of products/services.

Notes to Financial Statements continued

27 Pensions and post-retirement medical benefits

Pension Schemes
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, the US, Canada and Europe.

	2003 US$M	2002 US$M	2001 US$M
The pension charge for the year is as follows:			
Defined contribution schemes	**41**	61	66
Industry-wide schemes	**23**	18	21
Defined benefit schemes (a)			
Regular cost	**46**	59	48
Variation cost	**39**	14	4
Interest cost	**(20)**	(18)	(13)
	129	134	126

(a) Excludes net exchange gains/losses on net monetary pension prepayments in 2003 of US$39 million gain (2002: US$24 million gain; 2001: US$33 million loss).

To the extent that there is a difference between pension cost and contributions paid, a prepayment and/or liability arises. The accumulated difference recorded in the balance sheet at 30 June 2003 gives rise to a prepayment of US$270 million (2002: US$224 million) and a liability of US$65 million (2002: US$31 million).

The assets of the defined contribution schemes and the industry-wide 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 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 pension charge for the year for defined benefit schemes has increased from US$55 million to US$65 million largely due to negative investment returns of plans in the US, Canada and Europe causing a deterioration of the funded status for these plans and leading to increased variation costs.

In addition, new legislation in South Africa regarding the apportionment of surpluses, which will most likely eliminate the Group's entitlements to any fund surpluses in South Africa, has also led to increased variation costs in relation to prior years.

For accounting purposes, the actuarial valuations have determined pension costs for most schemes using the projected unit method. 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 pension charge, surpluses or deficiencies are recognised through the variation cost component in future accounting periods as a constant percentage of estimated future payroll over the remaining service life of the employees.

Actuarial valuations used for accounting purposes
The actuarial valuations used for accounting purposes reflected an aggregate market value at 1 July 2002 of US$890 million. The funding levels of these schemes ranged from 53 per cent to 193 per cent and the overall funding level was 93 per cent.

Formal actuarial valuations
Set out below are details for the three largest schemes of the actuarial assumptions and results of the most recent formal valuations for funding purposes. The actuarial assumptions and results differ from those used for accounting purposes.

	BHP Billiton Superannuation Fund	Pension Plan for Hourly Employees of BHP Copper Inc	BHP USA Retirement Income Plan
Country	Australia	US	US
Date of valuation	1 July 2000	1 January 2002	1 January 2002
Investment return	9.0%	8.0%	8.0%
Salary growth	6.0%	n/a	4.5%
Pension increases	n/a	n/a	3%
Asset valuation method	Market	5-year smoothing	5-year smoothing
Market value of fund (US$ million)	801	174	121
Actuarial value of fund (US$ million)	801	203	140
Funding level	120%	104%	128%

Since the most recent actuarial valuations were completed, many of the funded schemes will have experienced deteriorations in funded status as a result of the poor investment returns in the subsequent period to 30 June 2003.

Notes to Financial Statements continued

Post-retirement medical benefits

The BHP Billiton Group provides medical 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$26 million (2002: US$16 million; 2001: US$15 million) excluding an exchange loss of US$22 million (2002: gain US$14 million; 2001: gain US$9 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. 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	9.0%	5.5%	3.0%	5.0%
Discount rate	11.75%	7.5%	6.5%	6.5%

FRS 17 Retirement Benefits

Whilst the SSAP 24 disclosure and measurement principles have been applied in accounting for pensions and post-retirement medical benefits in these financial statements, additional disclosures are provided under FRS 17 'Retirement Benefits'. The eventual aim of FRS 17 is to move from a long-term approach under SSAP 24 to a market-based approach in valuing the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. This will impact both the amount and disclosure of the retirement benefits charge in the profit and loss account and the Statement of Total Recognised Gains and Losses (STRGL). The net retirement benefit and a liability will be recognised in full on the balance sheet with a consequential impact on shareholders' funds.

Currently, FRS 17 only has to be applied to disclosures. This is the third year that disclosures have been made for the BHP Billiton Group under FRS 17.

The BHP Billiton Group does not apply the provisions of FRS 17 for the purposes of measuring pension charge and pension balances in its financial statements. It is currently expected that FRS 17 will be first effective in such a manner for the 30 June 2006 financial year.

Pension schemes – FRS 17 disclosures

The BHP Billiton Group operates a number of defined benefit schemes in Australia, Canada, the US, Europe, South Africa and South America. For accounting disclosure purposes, full actuarial valuations for most schemes were carried out as at 30 June 2003 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 actuaries ranged from:

	Australia & NZ	Canada	US	Europe	South Africa	South America
Year ended 30 June 2003						
Salary increases	4% to 4.5%	3.5% to 4.5%	4.5%	3% to 4.5%	7% to 8%	3.5% to 5.57%
Pension increases	n/a	0%	0% to 3%	2% to 2.5%	3.5% to 5.25%	1.5% to 3.5%
Discount rate	4.75% to 5%	6% to 6.5%	6%	5%	7.5% to 8.7%	5.5% to 9.71%
Inflation	3%	2.5% to 3%	3%	2% to 2.5%	6%	2.5% to 3.5%
Year ended 30 June 2002						
Salary increases	3% to 4.5%	3.5% to 4.5%	3.5% to 4.5%	3% to 4.75%	7.75% to 9%	2% to 5.57%
Pension increases	0%	0%	0% to 3%	2.5% to 5%	3.75% to 5.5%	2% to 3.5%
Discount rate	4.75% to 6%	6.5% to 7%	6.5% to 7%	5.5% to 6%	8.75% to 9.25%	6% to 9.71%
Inflation	2% to 3%	2% to 3%	2% to 3%	2.5% to 2.75%	7%	2% to 3.5%
Year ended 30 June 2001						
Salary increases	4%	3.5% to 4.5%	3.5% to 5%	2% to 6%	7%	2% to 5.8%
Pension increases	0%	0%	0% to 3%	2% to 2.75%	3.25% to 3.5%	2% to 3.5%
Discount rate	5.5%	6.5% to 7%	6.5% to 7.75%	6% to 6.2%	8.25% to 8.5%	6% to 9.7%
Inflation	3%	2% to 3%	2% to 4%	2% to 2.75%	6%	2% to 3.5%

The fair market value of the assets and the surplus/(deficit) of the defined benefit schemes were (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Year ended 30 June 2003							
Bonds	68	60	58	64	23	46	319
Equities	147	28	187	64	69	1	496
Property	19	–	–	–	–	–	19
Cash and net current assets	–	13	5	23	17	–	58
Insured annuities	–	–	–	20	–	–	20
Total assets	234	101	250	171	109	47	912
Actuarial liabilities	(286)	(96)	(439)	(247)	(83)	(40)	(1 191)
Unrecognised surplus	–	(19)	–	–	(28)	(10)	(57)
Surplus/(deficit)	(52)	(14)	(189)	(76)	(2)	(3)	(336)
Related deferred tax (liability)/asset	16	4	17	12	–	–	49
Net pension asset/(liability)	(36)	(10)	(172)	(64)	(2)	(3)	(287)

Notes to Financial Statements continued

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Year ended 30 June 2002							
Bonds	163	52	29	51	19	41	355
Equities	307	27	256	63	59	2	714
Property	64	–	–	–	–	–	64
Cash and net current assets	17	13	3	16	12	1	62
Insured annuities	–	–	–	16	–	–	16
Total assets	551	92	288	146	90	44	1 211
Actuarial liabilities	(634)	(81)	(400)	(179)	(62)	(31)	(1 387)
Unrecognised surplus	–	(21)	–	–	(29)	–	(50)
Surplus/(deficit)	(83)	(10)	(112)	(33)	(1)	13	(226)
Related deferred tax (liability)/asset	13	4	10	3	–	(4)	26
Net pension asset/(liability)	(70)	(6)	(102)	(30)	(1)	9	(200)
Year ended 30 June 2001							
Bonds	182	60	66	42	26	33	409
Equities	372	53	373	56	72	2	928
Property	74	–	–	–	–	–	74
Cash and net current assets	13	17	6	20	15	1	72
Total assets	641	130	445	118	113	36	1 483
Actuarial liabilities	(673)	(108)	(450)	(139)	(71)	(27)	(1 468)
Unrecognised surplus	–	(12)	(6)	–	–	–	(18)
Surplus/(deficit)	(32)	10	(11)	(21)	42	9	(3)
Related deferred tax (liability)/asset	(1)	–	1	1	(13)	(3)	(15)
Net pension asset/(liability)	(33)	10	(10)	(20)	29	6	(18)

The expected rates of return on these asset categories were:

	Australia & NZ	Canada	US	Europe	South Africa	South America
Year ended 30 June 2003						
Bonds	**5% to 6%**	**5.5% to 6.5%**	**7%**	**4.3% to 4.6%**	**7.5% to 9.04%**	**6% to 9.71%**
Equities	**8% to 9%**	**7.25% to 9%**	**9%**	**7.25% to 8.25%**	**12%**	**9.71%**
Property	**7% to 8%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Cash and net current assets	**5%**	**1% to 3.75%**	**3.5%**	**3.75% to 4.25%**	**7% to 7.75%**	**9.71%**
Insured annuities	**n/a**	**n/a**	**n/a**	**5%**	**n/a**	**n/a**
Total assets	**7.5%**	**3.75% to 7.5%**	**8.5%**	**4.8% to 7.2%**	**9.9% to 10.55%**	**6% to 9.71%**
Year ended 30 June 2002						
Bonds	5% to 6.5%	6% to 6.5%	7%	5% to 5.75%	8.75% to 9.25%	6% to 9.71%
Equities	7% to 9%	7.5% to 9.5%	8.7%	7.5% to 8%	13% to 13.5%	9.71%
Property	6% to 8%	n/a	n/a	n/a	n/a	n/a
Cash and net current assets	7.27%	1% to 4%	7%	3% to 4%	6.5% to 10%	9.71%
Insured annuities	n/a	n/a	n/a	6%	n/a	n/a
Total assets	6% to 8%	4% to 6.9%	8.5%	4.5% to 7.2%	10.45% to 11.75%	6% to 9.71%

Analysis of the operating costs (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Year ended 30 June 2003							
Current service cost	19	2	10	9	3	–	43
Curtailment losses/(gains)	(21)	2	–	–	–	–	(19)
Previously unrecognised surplus deducted from curtailment losses	–	(2)	–	–	–	–	(2)
Total operating charge	(2)	2	10	9	3	–	22
Year ended 30 June 2002							
Current service cost	42	3	10	7	3	2	67
Past service cost/(credit)	–	–	2	(1)	–	–	1
Previously unrecognised surplus deducted from curtailment losses	–	(1)	–	–	–	–	(1)
Total operating charge	42	2	12	6	3	2	67

Notes to Financial Statements continued

Analysis of the financing credits/(costs) (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Year ended 30 June 2003							
Expected return on pension scheme assets	19	4	24	10	8	2	67
Interest on pension scheme liabilities	(13)	(5)	(27)	(11)	(6)	(2)	(64)
Net return/(cost)	6	(1)	(3)	(1)	2	–	3
Year ended 30 June 2002							
Expected return on pension scheme assets	53	4	28	8	9	2	104
Interest on pension scheme liabilities	(37)	(5)	(27)	(9)	(5)	(2)	(85)
Net return/(cost)	16	(1)	1	(1)	4	–	19

Analysis of gains and losses recognised in STRGL (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Year ended 30 June 2003							
Actual return less expected return on pension scheme assets	(24)	(1)	(24)	(11)	(11)	10	(61)
Experience gains/(losses) arising on the scheme liabilities	17	(2)	6	(7)	(1)	(9)	4
Changes in assumptions underlying the present value of scheme liabilities	(16)	(4)	(47)	(26)	1	(3)	(95)
Other gains/(losses)	–	2	–	–	–	(13)	(11)
Loss pursuant to legislative change with regard to South African surpluses	–	–	–	–	9	–	9
Total actuarial gain/(loss) recognised in STRGL	(23)	(5)	(65)	(44)	(2)	(15)	(154)
Difference between the expected and actual outcomes:							
Asset gain/(loss) as a percentage of scheme assets	(10.3%)	(1.0%)	(9.6%)	(6.4%)	(10.1%)	21.3%	(6.7%)
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	5.9%	(2.1%)	1.4%	(2.8%)	(1.2%)	(22.5%)	0.3%
Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	(8.0%)	(5.2%)	(14.8%)	(17.8%)	(2.4%)	(37.5%)	(12.9%)
Year ended 30 June 2002							
Actual return less expected return on pension scheme assets	(82)	(3)	(78)	(18)	(1)	31	(151)
Experience gains (losses) arising on the scheme liabilities	33	–	–	8	(7)	(18)	16
Changes in assumptions underlying the present value of scheme liabilities	–	–	(23)	(15)	(2)	–	(40)
Other gains/(losses)	–	(1)	6	–	–	–	5
Loss pursuant to legislative change with regard to South African surpluses	–	–	–	–	(29)	–	(29)
Total actuarial gain/(loss) recognised in STRGL	(49)	(4)	(95)	(25)	(39)	13	(199)
Difference between the expected and actual outcomes:							
Asset gain/(loss) as a percentage of scheme assets	(14.9%)	(3.3%)	(27.1%)	(12.3%)	(1.1%)	70.5%	(12.5%)
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	5.2%	0%	0%	4.5%	(11.3%)	(58.1%)	1.2%
Total actuarial gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	(7.7%)	(4.9%)	(23.8%)	(14.0%)	(62.9%)	41.9%	(14.3%)

In the year ended 30 June 2002, the Pension Funds Second Amendment Act, 2001, was passed in South Africa. Under this Act, surpluses in pension funds have to be used in a manner specified under Regulations to the Act, to improve current and former members' benefits prior to the employer obtaining any benefit from the surpluses. Consequently, it is considered unlikely that any BHP Billiton Group company will obtain any benefit from the surpluses in the South African schemes. Therefore the reduction in the recognised surpluses in South Africa is recognised as an actuarial loss in the STRGL.

Notes to Financial Statements continued

Analysis of the movement in surplus/(deficit) (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Year ended 30 June 2003							
Surplus/(deficit) in schemes at 30 June 2002	**(83)**	**(10)**	**(112)**	**(33)**	**(1)**	**13**	**(226)**
Movement in year:							
Adjustment to surplus/(deficit) at 1 July 2002 in respect of companies no longer consolidated	**38**	**2**	**–**	**–**	**–**	**–**	**40**
Current service cost	**(19)**	**(2)**	**(10)**	**(9)**	**(3)**	**–**	**(43)**
Contributions	**16**	**4**	**1**	**15**	**2**	**–**	**38**
Other finance income/(costs)	**6**	**(1)**	**(3)**	**(1)**	**2**	**–**	**3**
Actuarial gains/(losses)	**(23)**	**(5)**	**(65)**	**(44)**	**(2)**	**(15)**	**(154)**
Curtailment gains/(losses)	**21**	**–**	**–**	**–**	**–**	**–**	**21**
Exchange gains/(losses)	**(8)**	**(2)**	**–**	**(4)**	**–**	**(1)**	**(15)**
Surplus/(deficit) in schemes at 30 June 2003	**(52)**	**(14)**	**(189)**	**(76)**	**(2)**	**(3)**	**(336)**
Year ended 30 June 2002							
Surplus/(deficit) in schemes at 30 June 2001	(32)	10	(11)	(21)	42	9	(3)
Movement in year:							
Adjustment to surplus/(deficit) at 30 June 2001	–	(8)	–	1	–	–	(7)
Adjustment to surplus/(deficit) at 1 July 2001 in respect of companies no longer consolidated	(1)	(8)	4	–	–	–	(5)
Current service cost	(42)	(3)	(10)	(7)	(3)	(2)	(67)
Contributions	35	4	1	23	4	1	68
Past service costs	–	–	(2)	1	–	–	(1)
Other finance income/(costs)	16	(1)	1	(1)	4	–	19
Actuarial gains/(losses)	(49)	(4)	(95)	(25)	(39)	13	(199)
Exchange gains/(losses)	(10)	–	–	(4)	(9)	(8)	(31)
Surplus/(deficit) in schemes at 30 June 2002	(83)	(10)	(112)	(33)	(1)	13	(226)

Post-retirement medical benefits – FRS 17 disclosures

The BHP Billiton Group also operates a number of other post-retirement medical benefit arrangements in South Africa, the US, Canada and Suriname. Full actuarial valuations were carried out as at 30 June 2003, 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 actuaries ranged from:

	South Africa	US	Canada	Suriname	UK
Year ended 30 June 2003					
Ultimate healthcare inflation rate	7%	5.5%	5%	3.5%	n/a
Discount rate	9.75%	6.25%	6%	5.5%	n/a
Year ended 30 June 2002					
Ultimate healthcare inflation rate	9%	5%	3%	5%	4.5%
Discount rate	11.75%	7%	6.5%	5.5% to 6.5%	6%
Year ended 30 June 2001					
Ultimate healthcare inflation rate	8%	5.5%	3%	5%	n/a
Discount rate	12%	7.5%	6.5% to 7%	6.5%	n/a

The actuarial liabilities of the post-retirement schemes (US$ million) were:

	South Africa	US	Canada	Suriname	UK	Total
Year ended 30 June 2003						
Present value of scheme liabilities	(133)	(137)	(26)	(19)	–	(315)
Past service credit	(20)	–	–	–	–	(20)
Deficit	(153)	(137)	(26)	(19)	–	(335)
Related deferred tax asset	34	22	–	6	–	62
Net post-retirement liability	(119)	(115)	(26)	(13)	–	(273)
Year ended 30 June 2002						
Present value of scheme liabilities	(54)	(127)	(18)	(19)	(1)	(219)
Past service credit	(18)	–	–	–	–	(18)
Deficit	(72)	(127)	(18)	(19)	(1)	(237)
Related deferred tax asset	16	19	–	6	–	41
Net post-retirement liability	(56)	(108)	(18)	(13)	(1)	(196)

Notes to Financial Statements continued

Analysis of the operating costs/(credits) (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
Year ended 30 June 2003						
Current service cost	**2**	**4**	**–**	**–**	**–**	**6**
Past service cost/(credit)	**1**	**7**	**–**	**–**	**–**	**8**
Total operating charge	**3**	**11**	**–**	**–**	**–**	**14**
Year ended 30 June 2002						
Current service cost	1	2	–	–	–	3
Past service cost/(credit)	(1)	–	–	–	–	(1)
Curtailment losses/(gains)	(7)	–	(1)	–	–	(8)
Total operating charge	(7)	2	(1)	–	–	(6)

Analysis of the financing credits/(costs) (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
Year ended 30 June 2003						
Interest on post-retirement liabilities	(11)	(8)	(1)	(1)	–	(21)
Net return/(cost)	(11)	(8)	(1)	(1)	–	(21)
Year ended 30 June 2002						
Interest on post-retirement liabilities	(7)	(8)	(1)	(1)	–	(17)
Net return/(cost)	(7)	(8)	(1)	(1)	–	(17)

Analysis of gains and losses recognised in STRGL (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
Year ended 30 June 2003						
Experience gains/(losses) arising on scheme liabilities	(27)	15	1	–	–	(11)
Changes in assumptions underlying the present value of scheme liabilities	(9)	(16)	(7)	–	–	(32)
Actuarial gain/(loss) recognised in STRGL	(36)	(1)	(6)	–	–	(43)
Difference between the expected and actual outcomes:						
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	(20.3%)	10.9%	3.8%	0%	0%	(3.5%)
Total gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	(27.1%)	(0.7%)	(23.1%)	0%	0%	(13.7%)
Year ended 30 June 2002						
Experience gains/(losses) arising on scheme liabilities	8	(6)	–	–	–	2
Changes in assumptions underlying the present value of scheme liabilities	(10)	–	–	(1)	–	(11)
Actuarial gain/(loss) recognised in STRGL	(2)	(6)	–	(1)	–	(9)
Difference between the expected and actual outcomes:						
Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities	14.8%	(4.7%)	0%	0%	0%	0.9%
Total gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities	(3.7%)	(4.7%)	0%	(5.3%)	0%	(4.1%)

Analysis of the movement in surplus/(deficit) (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
Year ended 30 June 2003						
(Deficit) in schemes at 30 June 2002	**(72)**	**(127)**	**(18)**	**(19)**	**(1)**	**(237)**
Movement in year:						
Adjustment at 1 July 2002 in respect of changes in joint venture arrangements and other plan changes	**–**	**–**	**–**	**–**	**1**	**1**
Current service cost	**(2)**	**(4)**	**–**	**–**	**–**	**(6)**
Contributions	**5**	**10**	**2**	**1**	**–**	**18**
Past service costs	**(1)**	**(7)**	**–**	**–**	**–**	**(8)**
Other finance income/(costs)	**(11)**	**(8)**	**(1)**	**(1)**	**–**	**(21)**
Actuarial gains/(losses)	**(36)**	**(1)**	**(6)**	**–**	**–**	**(43)**
Exchange gains/(losses)	**(36)**	**–**	**(3)**	**–**	**–**	**(39)**
(Deficit) in schemes at 30 June 2003	**(153)**	**(137)**	**(26)**	**(19)**	**–**	**(335)**

Notes to Financial Statements continued

	South Africa	US	Canada	Suriname	UK	Total
Year ended 30 June 2002						
(Deficit) in schemes at 30 June 2001	(94)	(142)	(27)	(18)	(1)	(282)
Movement in year:						
Adjustment to surplus/(deficit) at 1 July 2001 in respect of companies no longer consolidated	–	23	8	–	–	31
Current service cost	(1)	(2)	–	–	–	(3)
Contributions	3	8	1	1	–	13
Past service costs	1	–	–	–	–	1
Other finance income/(costs)	(7)	(8)	(1)	(1)	–	(17)
Actuarial gains/(losses)	(2)	(6)	–	(1)	–	(9)
Curtailment gains/(losses)	7	–	1	–	–	8
Exchange gains/(losses)	21	–	–	–	–	21
(Deficit) in schemes at 30 June 2002	(72)	(127)	(18)	(19)	(1)	(237)

If the measurement principles of FRS 17 had been applied to the pension schemes and post-retirement medical benefit schemes of the Group's joint ventures and associates at 30 June 2003, a deficit of approximately US$50 million (2002: US$7 million) would have been recognised in the Group balance sheet and actuarial losses of approximately US$35 million (2002: US$12 million) would have been taken to the Group STRGL.

28 Analysis of movements in net debt

	At 1 July 2002 US$M	Acquisitions & disposals(a) US$M	Cash flow US$M	Other non-cash movements(a) US$M	Exchange movements US$M	**At 30 June 2003 US$M**
Cash at bank and in hand	1 199	(86)	(528)	–	2	**587**
Overdrafts	(509)	–	488	–	–	**(21)**
	690	(86)	(40)	–	2	**566**
Redeemable preference shares	(450)	–	–	–	–	**(450)**
Finance lease obligations	(35)	–	–	(15)	(3)	**(53)**
Other debt due within one year	(2 276)	–	1 248	82	(65)	**(1 011)**
Other debt due after one year	(5 051)	–	(825)	165	(78)	**(5 789)**
	(7 812)	–	423	232	(146)	**(7 303)**
Money market deposits (b)	300	–	665	–	–	**965**
	(6 822)	(86)	1 048	232	(144)	**(5 772)**
The balance sheet movement in cash including money market deposits is as follows:						
Cash at bank and in hand	1 199	(86)	(528)	–	2	**587**
Money market deposits (b)	300	–	665	–	–	**965**
	1 499	(86)	137	–	2	**1 552**

(a) The acquisition and disposals movement represents cash retained and net other non-cash movements represent debt transferred on demerger of BHP Steel.

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

Notes to Financial Statements continued

29 Financial instruments

BHP Billiton Group financial risk strategy
The BHP Billiton Group manages its exposure to key financial risks, including interest rates, currency movements and commodity prices, in accordance with the Portfolio Risk Management strategy, approved during the year ended 30 June 2002. The objective of the strategy is to support the delivery of the BHP Billiton Group's financial targets while protecting its future financial security and flexibility.

The strategy entails managing risk at the portfolio level through the adoption of a 'self insurance' model, by taking advantage of the natural diversification 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 Cash Flow at Risk ('CFaR') framework to support the achievement of the BHP Billiton Group's broader strategic objectives. The CFaR framework is a means to quantify the variability of the BHP Billiton Group's cash flows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cash flows over a one-year horizon under normal market conditions at a confidence level of 95 per cent.)
>
> Where CFaR is within the Board-approved limits, hedging activities are not undertaken. Legacy hedge positions which existed prior to the adoption of the Portfolio Risk Management strategy will be allowed to run-off. There could be circumstances, for example, such as following a major acquisition, when it becomes appropriate to mitigate risk in order to support the BHP Billiton Group's strategic objectives. In such circumstances, the BHP Billiton Group may execute hedge transactions or utilise other techniques to return risk to within approved parameters.
>
> **Strategic financial transactions** – where opportunistic transactions are entered into 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.

Primary responsibility for identification and control of financial risks rests with the Financial Risk Management Committee (FRMC) under authority delegated by the Executive Committee.

During the year ended 30 June 2003 the FRMC approved a policy extension under which the Group generally hedges the non-US dollar currency exposure of major capital expenditure projects. Operational currency exposures continue to be managed on a portfolio basis (see section on 'Currency risk' for further details).

The FRMC receives 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 market forecasts for interest rates, currency movements and commodity prices, including analysis of sensitivities. In addition, the FRMC receives reports on the various financial risk exposures of the BHP Billiton Group. On the basis of this information, the FRMC determines the degree to which it is appropriate to use financial instruments, commodity contracts, other hedging instruments 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 decides whether such insurance is appropriate and cost-effective. FRMC decisions can be implemented directly by Group management or can be delegated from time to time to be implemented by the management of the Customer Sector Groups.

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

Interest rate risk
The BHP Billiton Group is exposed to interest rate risk on its outstanding borrowings and investments. Interest rate risk is managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

When required under this strategy, the BHP Billiton Group uses interest rate swaps to convert a floating rate exposure to a fixed rate exposure or vice versa.

The following table presents notional amounts and weighted average interest rates that the BHP Billiton Group has agreed to pay under interest rate swaps that are outstanding at the balance dates indicated. The information is presented in US dollars, which is the BHP Billiton Group's reporting currency. The instruments' actual cash flows are denominated in US dollars, UK pounds sterling and Australian dollars as indicated. All interest swaps have been designated as hedging instruments.

Cross currency interest rate swaps are also used to manage interest rate exposures where considered necessary under the Portfolio Risk Management strategy (refer to 'Currency risk' discussion which follows).

Notes to Financial Statements continued

	Weighted average interest rate payable		Weighted average interest rate receivable		Notional amount	
	2003	2002	**2003**	2002	**2003**	2002
	%	%	**%**	%	**US$M**	US$M
Interest rate swaps						
US dollar swaps						
Pay fixed/receive floating (a)						
2002	**–**	6.30	**–**	3.05	**–**	41
Pay floating (a)/receive fixed						
2003	**1.80**	–	**4.80**	–	**850**	–
2004–2013	**–**	–	**4.80**	–	**850**	–
UK pounds sterling swaps						
Pay floating/receive fixed						
2002	**–**	4.73	**–**	9.49	**–**	19
Australian dollar swaps						
Pay floating (a)/receive fixed						
2002	**–**	5.11	**–**	7.36	**–**	170
2003	**5.48**	–	**7.50**	7.36	**200**	170
2004	**–**	–	**7.50**	7.36	**200**	170
2005	**–**	–	**7.50**	7.36	**200**	170

(a) Floating interest rate in future periods will be based on LIBOR for US dollar swaps and BBSW for Australian dollar swaps applicable at the time of the interest rate reset.

Liquidity risk
The US$1.25 billion 364-day revolving credit component of the US$2.5 billion syndicated multi-currency revolving credit facility that was due for expiry in September 2002 was extended for a further period of 364 days to September 2003. The US$1.25 billion term component of the US$2.5 billion syndicated multi-currency revolving credit facility expires in September 2006.

In October 2002, Moody's Investor Services upgraded the BHP Billiton Group's long-term credit rating to A2 from A3 and short-term credit rating to P-1 from P-2. This upgrade reflects the successful combination of the Group's operations following the merger in June 2001, the benefit of a substantially diversified portfolio and the Group's continued focus on maintaining disciplined financial policies. Standard and Poor's rating for the Group remains on positive watch after being upgraded in September 2001 to its current long-term credit rating of A and short-term credit rating of A-1.

The BHP Billiton Group's stronger credit profile enabled it to further diversify its funding sources resulting in the following financing activities undertaken during the year:

- In October 2002 the Group issued its inaugural Eurobond under the US$1.5 billion Euro Medium Term Note (EMTN) program. The issue of €750 million five-year notes was swapped back to US dollars.
- In April 2003 the Group issued its inaugural Global Bond of US$850 million with a ten-year maturity.
- In May 2003 the Group increased the EMTN program size from US$1.5 billion to US$2.0 billion.
- In June 2003 the Group established a US$2 billion US commercial paper program and during the same month carried out its first issue off the program.

Sufficient liquid funds are maintained to meet daily cash requirements. The prime consideration in the investment of cash is security over the asset and only counterparties of high credit standing are used.

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

Credit risk
Credit risk in relation to business trading activities arises from the possibility that counterparties may not be able to settle obligations to the BHP Billiton Group within the normal terms of trade. To manage this risk the BHP Billiton Group periodically assesses the financial viability of counterparties.

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

The extent of the BHP Billiton Group's combined trade and derivative credit risk exposure is represented by the aggregate of amounts receivable, reduced by the effect of netting arrangements with financial institution counterparties.

These risks are categorised under the following headings:

Counterparties
The BHP Billiton Group conducts transactions with the following major types of counterparties:

- *Receivables counterparties*
  Sales to BHP Billiton Group customers are made either on open terms or subject to independent payment guarantees. The BHP Billiton Group has no significant concentration of credit risk with any single customer or group of customers.
- *Payment guarantee counterparties*
  These counterparties are comprised of prime financial institutions. Under payment guarantee arrangements, the BHP Billiton Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

Notes to Financial Statements continued

- *Hedge counterparties*
  Counterparties to derivatives consist of a large number of prime financial institutions and physical participants in the relevant markets. The BHP Billiton Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

  The BHP Billiton Group generally does not require collateral in relation to the settlement of financial instruments.

Geographic
The BHP Billiton Group trades in all major geographic regions and where appropriate export finance insurance and other risk mitigation facilities are utilised to ensure settlement. Countries in which the BHP Billiton Group has a significant credit exposure are South Africa, Australia, the US, Japan and others including South Korea, China, Taiwan, the UK, the rest of Europe, South East Asia, New Zealand and South America.

Terms of trade are continually monitored by the BHP Billiton Group.

Selective receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and the Australian Export Finance and Insurance Corporation.

Industry
The BHP Billiton Group is not materially exposed to any individual industry or customer.

Currency risk
The BHP Billiton Group has potential currency exposures in respect

of items denominated in foreign currencies comprising:

Transactional exposure in respect of non-functional currency expenditure
Operating expenditure and capital expenditure is incurred by some operations in currencies other than US dollars, which is the functional currency of most operations within the BHP Billiton Group. To a lesser extent, sales revenue is earned in currencies other than the functional currency of operations, and certain exchange control restrictions may require that funds be maintained in currencies other than the functional currency of the operation. These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit. When required under this strategy, foreign exchange hedging contracts are entered into in foreign exchange markets. Operating and capital costs are hedged using forward exchange and currency option contracts.

A significant contributor to the outstanding positions as at 30 June 2003 is due to legacy positions which were taken out prior to the BHP Billiton merger to hedge US dollar sales revenue earned by operations within the BHP Billiton Limited Group whose functional currency was not the US dollar. At the time of the merger the hedge contracts were redesignated as hedges of Australian dollar operating costs. These hedges will run-off during 2004 financial year.

During the year ended 30 June 2003 the FRMC approved a policy extension under which the Group generally hedges the non-US dollar currency exposure of major capital expenditure projects. Forward contracts taken out under this policy are separately disclosed below as ‘Relating to capital expenditure hedging’.

The following tables provide information about the principal currency hedge contracts.

Notes to Financial Statements continued

Term	Weighted average exchange rate 2003	2002	Contract amounts 2003 US$M	2002 US$M
Relating to capital expenditure hedging				
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	**0.5276**	–	**212**	–
Later than one year but not later than two years	**0.5186**	–	**13**	–
Total	**0.5271**	–	**225**	–
Relating to operating hedging				
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year (a)	**0.6240**	0.6562	**732**	919
Later than one year but not later than two years	**–**	0.6170	**–**	360
Total	**0.6240**	0.6447	**732**	1 279
Forward contracts – sell Euros/buy US dollars				
Not later than one year	**0.9061**	1.0825	**175**	100
Later than one year but not later than two years	**0.8532**	–	**12**	–
Later than two years but not later than three years	**0.8584**	–	**6**	–
Total	**0.9015**	1.0825	**193**	100
Forward contracts – sell US dollars/buy Euros				
Not later than one year	**0.9678**	1.0855	**45**	153
Later than one year but not later than two years	**1.0742**	1.0922	**3**	21
Later than two years but not later than three years	**1.0594**	1.0742	**3**	3
Later than three years but not later than four years	**1.0687**	1.0594	**22**	3
Later than four years but not later than five years	**–**	1.0687	**–**	22
Total	**1.0067**	1.0839	**73**	202
Forward contracts – sell US dollars/buy UK pounds sterling				
Not later than one year (b)	**0.6222**	0.6879	**185**	118
Later than one year but not later than two years	**–**	0.7041	**–**	1
Total	**0.6222**	0.6881	**185**	119
Forward contracts – sell UK pounds sterling/buy US dollars				
Not later than one year	**0.6232**	–	**46**	–
Later than one year but not later than two years	**0.6483**	–	**8**	–
Total	**0.6267**	–	**54**	–
Forward contracts – sell US dollars/buy South African rand				
Not later than one year (c)	**7.7743**	10.61	**58**	56
Later than one year but not later than two years	**–**	10.15	**–**	1
Total	**7.7743**	10.60	**58**	57

(a) Recognised in the financial statements are contract amounts totalling US$220 million at a weighted average A$/US$ exchange rate of 0.6275, relating to the hedging of Australian dollar dividend payments (these contracts expired on 2 July 2003) and other contracts of US$70 million at a weighted average A$/US$ exchange rate of 0.6189.

(b) Recognised in the financial statements are contract amounts totalling US$143 million at a weighted average GBP/US$ exchange rate of 0.6252 relating to the hedging of pound sterling dividend payments.

(c) Recognised in the financial statements are contract amounts totalling US$41 million at a weighted average SA rand/US$ exchange rate of 7.5905 relating to the hedging of SA rand dividend payments.

Term	Weighted average A$/US$ exchange rate 2003 A$ Call options	2003 A$ Put options	Weighted average A$/US$ exchange rate 2002 A$ Call options	2002 A$ Put options	Contract amounts 2003 US$M	2002 US$M
Foreign exchange options – sell US dollars/buy Australian dollars						
Not later than one year (a)	**–**	**0.6600**	0.5533	0.6612	**17**	1 054
Total	**–**	**0.6600**	0.5533	0.6612	**17**	1 054

(a) Foreign exchange options outstanding at 30 June 2002 related to the unwinding in July 2002 of cross currency interest rate swaps (CCIRS). This action had been taken to swap Australian dollar denominated debt to US dollars in July 2002, as a result of the majority of the BHP Billiton Group's Australian dollar functional currency operations being demerged with BHP Steel.

Notes to Financial Statements continued

Translational exposure in respect of investments in overseas operations

The functional currency of most BHP Billiton Group operations is US dollars. There are certain operations that have retained Australian dollars and UK pounds sterling as a functional currency, and during the year ended 30 June 2003, the BHP Billiton Group had a natural hedge between net foreign assets and borrowings in these currencies.

When not in conflict with exchange control requirements, the BHP Billiton Group's policy is to minimise risk resulting from such investments through borrowings in these currencies.

If circumstances arise that render the natural hedge deficient, then specific hedging utilising cross currency swaps may occur. Such action was taken to swap Australian dollar denominated debt to US dollars during July 2002 as a result of the majority of the BHP Billiton Group's Australian dollar functional currency operations being demerged with BHP Steel. Additionally, UK pounds sterling swaps originally entered into to provide a natural hedge against BHP Billiton Group's UK Petroleum assets were unwound with the underlying debt facilities reverting to US dollar obligations.

The table following presents principal amounts and weighted average interest rates that the BHP Billiton Group has agreed to pay under cross currency swaps that are outstanding at the balance dates indicated, together with the weighted average contracted exchange rates. The instruments' actual cash flows are denominated in US dollars, UK pounds sterling, Japanese yen, Australian dollars and Euros as indicated.

	Weighted average Exchange rate		Weighted average Interest rate payable		Weighted average Interest rate receivable		Principal amount	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
			%	%	**%**	%	**US$M**	US$M
Cross currency swaps								
US dollar to Australian dollar swaps								
Pay fixed/receive fixed								
2002	**–**	0.6557	**–**	7.19	**–**	7.18	**–**	691
2003	–	0.6601	–	6.71	–	6.75	–	86
US dollar to UK pounds sterling swaps								
Pay fixed/receive fixed								
2002	**–**	0.6002	**–**	7.45	**–**	6.60	**–**	415
2003	**–**	0.5998	**–**	7.37	**–**	6.69	**–**	277
2004	**–**	0.5998	**–**	7.37	**–**	6.69	**–**	277
2005	**–**	0.5998	**–**	7.37	**–**	6.69	**–**	277
Japanese yen to US dollar swaps								
Pay floating/receive fixed								
2002	**–**	123.00	**–**	3.47	**–**	5.71	**–**	41

	Weighted average exchange rate		Weighted average interest rate payable		Weighted average interest rate receivable		Principal amount (a)	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
			%	%	**%**	%	**US$M**	US$M
Australian dollar to US dollar swaps								
Pay floating (b)/receive floating (b)								
2002	**–**	0.5217	**–**	2.44	**–**	4.81	**–**	130
2003	**0.5437**	0.5217	**2.08**	–	**5.44**	–	**299**	130
2004	**0.5437**	0.5217	**–**	–	**–**	–	**299**	130
2005	**0.5620**	–	**–**	–	**–**	–	**169**	–
Pay floating (b)/receive fixed								
2002	**–**	0.5217	**–**	2.77	**–**	6.25	**–**	391
2003	**0.5302**	0.5217	**2.49**	–	**6.51**	6.25	**504**	391
2004	**0.5302**	0.5217	**–**	–	**6.51**	6.25	**504**	391
2005	**0.5302**	0.5217	**–**	–	**6.51**	6.25	**504**	391
2006	**0.5217**	0.5217	**–**	–	**6.25**	6.25	**391**	391
2007	**0.5217**	0.5217	**–**	–	**6.25**	6.25	**391**	391
2008	**0.5217**	0.5217	**–**	–	**6.25**	6.25	**391**	391
Euro to US dollar swaps								
Pay fixed/receive fixed								
2003	**0.9881**	–	**3.88**	–	**4.38**	–	**741**	–
2004	**0.9881**	–	**3.88**	–	**4.38**	–	**741**	–
2005	**0.9881**	–	**3.88**	–	**4.38**	–	**741**	–
2006	**0.9881**	–	**3.88**	–	**4.38**	–	**741**	–
2007	**0.9881**	–	**3.88**	–	**4.38**	–	**741**	–

(a) Amount represents US$ equivalent of principal payable under the swap contract.

(b) Floating interest rate in future periods will be based on LIBOR for US dollar swaps and BBSW for Australian dollar swaps applicable at the time of the interest rate reset.

Notes to Financial Statements continued

Translational exposure in respect of non-functional currency monetary items

Monetary items denominated in currencies other than the functional currency of an operation are restated to US dollar equivalents, and the associated gain or loss is taken to the profit and loss account, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration which are capitalised in tangible fixed assets. These risks are managed as part of the Portfolio Risk Management strategy and within the overall CFaR limit.

The table below shows the extent to which the BHP Billiton Group has monetary assets and liabilities in currencies other than their functional currencies, after taking into account the effect of any forward foreign currency contracts entered into to manage these risks, excluding any exposures in relation to borrowings which are hedged by investments in net foreign currency assets (as discussed above), and excluding provisions for site restoration.

	Net foreign currency monetary assets/(liabilities)					
	US$ 2003 US$M	A$ 2003 US$M	C$ 2003 US$M	SA rand 2003 US$M	Other 2003 US$M	Total 2003 US$M
Functional currency of Group operation						
US $	**–**	**(1 399)**	**(203)**	**(1 089)**	**(261)**	**(2 952)**
Australian $	**21**	**–**	**–**	**–**	**–**	**21**
Canadian $	**30**	**–**	**–**	**–**	**–**	**30**
UK pounds sterling	**(23)**	**(1)**	**–**	**–**	**–**	**(24)**
Other	**–**	**–**	**–**	**6**	**–**	**6**
	28	**(1 400)**	**(203)**	**(1 083)**	**(261)**	**(2 919)**

	Net foreign currency monetary assets/(liabilities)					
	US$ 2002 US$M	A$ 2002 US$M	C$ 2002 US$M	SA rand 2002 US$M	Other 2002 US$M	Total 2002 US$M
Functional currency of Group operation						
US $	–	(1 413)	(376)	(892)	(278)	(2 959)
Australian $	7	–	–	–	(17)	(10)
Canadian $	–	–	–	–	–	–
UK pounds sterling	(103)	–	–	–	–	(103)
Other	11	–	–	1	–	12
	(85)	(1 413)	(376)	(891)	(295)	(3 060)

The SA rand monetary liabilities include borrowings raised in a variety of currencies, including US dollars and Euros, which, as a result of South African exchange control regulations, were subsequently swapped into SA rand.

Substantial portions of the non-functional currency liabilities of US dollar functional currency operations relate to provisions for deferred taxation and employee benefits.

Commodity price risk

The BHP Billiton Group is exposed to movements in the prices of the products it produces and sources from third parties which are generally sold as commodities on the world market.

Commodity price risk is managed pursuant to the Portfolio Risk Management strategy and within the overall CFaR limit. Strategic price hedges are taken out from time to time.

The following table provides information about the BHP Billiton Group's material cash settled commodity contracts, which have not been recognised in the accounts.

Contract amounts are used to calculate the volume and average price to be exchanged under the contracts.

Notes to Financial Statements continued

BHP Billiton Group	Volume 2003	Volume 2002	Units	Average price 2003 US$	Average price 2002 US$	Term to maturity (months)	Notional amount(a) 2003 US$M	Notional amount(a) 2002 US$M
Aluminium								
Forwards (buy)	**792**	412	000 tonnes	**1 397**	1 416	0–12	**1 106**	583
	112	104	000 tonnes	**1 435**	1 487	13–24	**161**	155
	50	46	000 tonnes	**1 420**	1 489	25–48	**71**	68
	1	–	000 tonnes	**1 420**	–	49–72	**1**	–
Forwards (buy) floating(b)	**826**	447	000 tonnes	**–**	–	0–12	**–**	–
	127	127	000 tonnes	**–**	–	13–24	**–**	–
	35	46	000 tonnes	**–**	–	25–48	**–**	–
	1	–	000 tonnes	**–**	–	49–72	**–**	–
Forwards (sell)	**826**	447	000 tonnes	**1 393**	1 411	0–12	**1 151**	631
	127	127	000 tonnes	**1 421**	1 475	13–24	**180**	187
	35	46	000 tonnes	**1 416**	1 473	25–48	**50**	68
	1	–	000 tonnes	**1 393**	–	49–72	**1**	–
Forwards (sell) floating(b)	**792**	412	000 tonnes	**–**	–	0–12	**–**	–
	112	104	000 tonnes	**–**	–	13–24	**–**	–
	50	46	000 tonnes	**–**	–	25–48	**–**	–
	1	–	000 tonnes	**–**	–	49–72	**–**	–
Copper								
Forwards (buy)	**37**	15	000 tonnes	**1 675**	1 629	0–12	**62**	25
Forwards (buy) floating(b)	**52**	20	000 tonnes	**–**	–	0–12	**–**	–
Forwards (sell)	**52**	20	000 tonnes	**1 661**	1 648	0–12	**87**	33
Forwards (sell) floating(b)	**37**	15	000 tonnes	**–**	–	0–12	**–**	–
Zinc								
Forwards (buy)	**10**	–	000 tonnes	**794**	–	0–12	**8**	–
Forwards (buy) floating(b)	**17**	–	000 tonnes	**–**	–	0–12	**–**	–
Forwards (sell)	**17**	–	000 tonnes	**804**	–	0–12	**14**	–
Forwards (sell) floating(b)	**10**	–	000 tonnes	**–**	–	0–12	**–**	–
Lead								
Forwards (buy)	**25**	–	000 tonnes	**466**	–	0–12	**11**	–
Forwards (buy) floating(b)	**65**	–	000 tonnes	**–**	–	0–12	**–**	–
	8	–	000 tonnes	**–**	–	13–24	**–**	–
Forwards (sell)	**65**	–	000 tonnes	**470**	–	0–12	**31**	–
	8	–	000 tonnes	**488**	–	13–24	**4**	–
Forwards (sell) floating(b)	**25**	–	000 tonnes	**–**	–	0–12	**–**	–
Silver								
Forwards (buy)	**1 650**	–	000 ounces	**4.73**	–	0–12	**8**	–
Forwards (buy) floating(b)	**7 475**	–	000 ounces	**–**	–	0–12	**–**	–
Forwards (sell)	**7 475**	–	000 ounces	**4.70**	–	0–12	**35**	–
Forwards (sell) floating(b)	**1 650**	–	000 ounces	**–**	–	0–12	**–**	–
Petroleum								
Forwards (buy)	**8 668**	–	000 barrels	**25.45**	–	0–12	**221**	–
Forwards (buy) floating (b)	**8 690**	–	000 barrels	**–**	–	0–12	**–**	–
Forwards (sell)	**8 690**	–	000 barrels	**25.49**	–	0–12	**221**	–
Forwards (sell) floating (b)	**8 668**	–	000 barrels	**–**	–	0–12	**–**	–
Energy Coal								
Forwards (buy)	**20 451**	4 405	000 tonnes	**34.49**	30.58	0–12	**705**	135
	5 820	1 290	000 tonnes	**36.32**	31.20	13–24	**211**	40
	870	–	000 tonnes	**35.88**	–	25–48	**31**	–
Forwards (buy) floating (b)	**23 515**	8 630	000 tonnes	**–**	–	0–12	**–**	–
	7 035	3 480	000 tonnes	**–**	–	13–24	**–**	–
	735	150	000 tonnes	**–**	–	25–48	**–**	–
Forwards (sell)	**23 515**	8 630	000 tonnes	**34.39**	31.35	0–12	**809**	271
	7 035	3 480	000 tonnes	**34.81**	33.06	13–24	**245**	115
	735	150	000 tonnes	**31.99**	35.45	25–48	**24**	5
Forwards (sell) floating (b)	**20 451**	4 405	000 tonnes	**–**	–	0–12	**–**	–
	5 820	1 290	000 tonnes	**–**	–	13–24	**–**	–
	870	–	000 tonnes	**–**	–	25–48	**–**	–
Purchased calls	**105**	270	000 tonnes	**33.71**	34.00	0–12	**4**	9
	–	210	000 tonnes	**–**	33.71	13–24	**–**	7
Sold puts	**270**	150	000 tonnes	**32.11**	32.60	0–12	**9**	5
	–	150	000 tonnes	**–**	32.60	13–24	**–**	5
Sold calls	**645**	1 500	000 tonnes	**33.83**	34.01	0–12	**22**	51
	–	1 290	000 tonnes	**–**	34.05	13–24	**–**	44

Notes to Financial Statements continued

BHP Billiton Group	Volume 2003	Volume 2002	Units	Average price 2003 US$	Average price 2002 US$	Term to maturity (months)	Notional amount(a) 2003 US$M	Notional amount(a) 2002 US$M
Freight Transport and Logistics								
Forwards (buy)	**3 550**	50	days	**12 256**	12 600	0–12	**44**	1
	1 104	100	days	**10 417**	12 600	13–24	**12**	1
Forwards (buy) floating (b)	**3 499**	–	days	**–**	–	0–12	**–**	–
	920	–	days	**–**	–	13–24	**–**	–
Forwards (sell)	**3 499**	–	days	**11 791**	–	0–12	**41**	–
	920	–	days	**10 680**	–	13–24	**10**	–
Forwards (sell) floating (b)	**3 550**	50	days	**–**	–	0–12	**–**	–
	1 104	100	days	**–**	–	13–24	**–**	–
Forwards (buy)	**5 874**	450	000 tonnes	**8.77**	7.12	0–12	**52**	3
	1 275	600	000 tonnes	**6.63**	7.34	13–24	**8**	4
	–	150	000 tonnes	**–**	8.00	25–48	**–**	1
Forwards (buy) floating (b)	**4 974**	450	000 tonnes	**–**	–	0–12	**–**	–
	1 200	450	000 tonnes	**–**	–	13–24	**–**	–
Forwards (sell)	**4 974**	450	000 tonnes	**8.82**	7.60	0–12	**44**	3
	1 200	450	000 tonnes	**6.84**	7.60	13–24	**8**	3
Forwards (sell) floating (b)	**5 874**	450	000 tonnes	**–**	–	0–12	**–**	–
	1 275	600	000 tonnes	**–**	–	13–24	**–**	–
	–	150	000 tonnes	**–**	–	25–48	**–**	–

(a) The notional amount represents the face value of each transaction and accordingly expresses the volume of these transactions, but is not a measure of exposure.
(b) Floating commodity prices in future periods will be based on the benchmarks applicable at the time of the price reset.

Hedging of financial risks

Cumulative unrecognised gains and losses on the instruments used for hedging foreign currency transaction exposures and commodity price risks and the movements therein are as follows:

	Gains 2003 US$M	Losses 2003 US$M	Net gains/ (losses) 2003 US$M	Gains 2002 US$M	Losses 2002 US$M	Net gains/ (losses) 2002 US$M
Opening balance unrecognised gains/(losses)	**–**	**(175)**	**(175)**	10	(615)	(605)
(Gains)/losses arising in previous years recognised in the year	**–**	**139**	**139**	(9)	327	318
Gains/(losses) arising in prior years and not recognised	**–**	**(36)**	**(36)**	1	(288)	(287)
Gains/(losses) arising in the year and not recognised	**104**	**19**	**123**	(1)	113	112
Closing balance unrecognised gains/(losses) (a)	**104**	**(17)**	**87**	–	(175)	(175)
of which:						
Gains/(losses) expected to be recognised within one year	**94**	**(16)**	**78**	–	(139)	(139)
Gains/(losses) expected to be recognised after one year	**10**	**(1)**	**9**	–	(36)	(36)
	104	**(17)**	**87**	–	(175)	(175)

(a) Full recognition will not appear in the profit and loss account as US$56 million (2002: US$nil) will be capitalised into Fixed Assets.

Notes to Financial Statements continued

Cumulative unrecognised gains and losses on instruments used to manage interest rate risk and exposures in relation to investments in overseas operations, and the movements therein are as follows:

	Forward currency swaps **2003 US$M**	CCIRS interest component **2003 US$M**	Interest rate swaps **2003 US$M**	Finance lease swap (a) **2003 US$M**	Forward currency swaps 2002 US$M	CCIRS interest component 2002 US$M	Interest rate swaps 2002 US$M	Finance lease swap (a) 2002 US$M
Opening balance unrecognised gains	**31**	**26**	**10**	**2**	13	32	9	8
(Gains)/losses arising in previous years recognised in the year	**(13)**	**(20)**	**–**	**1**	(3)	(5)	–	(2)
Gains arising in prior years and not recognised	**18**	**6**	**10**	**3**	10	27	9	6
Gains/(losses) arising in the year and not recognised	**(7)**	**30**	**31**	**(1)**	21	(1)	1	(4)
Closing balance unrecognised gains	**11**	**36**	**41**	**2**	31	26	10	2
of which:								
Gains expected to be recognised within one year	**7**	**–**	**–**	**1**	13	20	–	(1)
Gains expected to be recognised after one year	**4**	**36**	**41**	**1**	18	6	10	3
	11	**36**	**41**	**2**	31	26	10	2

(a) Included within the book value of short-term 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$15 million (2002: US$26 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.The fair value disclosures relate only to the swapped components and reflect the fact that the swap receivable is subject to a fixed rate.

Financial liabilities – interest rate and currency profile

Short-term creditors (other than short-term loans and derivative financial instruments) are excluded from the disclosures below.

The currency and interest rate profile of the financial liabilities of the BHP Billiton Group shown in the table below take into account interest rate and currency swaps:

	Fixed rate **2003 US$M**	Floating rate(a) **2003 US$M**	Interest free **2003 US$M**	Total **2003 US$M**	Fixed rate 2002 US$M	Floating rate(a) 2002 US$M	Interest free 2002 US$M	Total 2002 US$M
Currency								
US $	**3 349**	**3 278**	**100**	**6 727**	1 771	4 119	7	5 897
SA rand	**146**	**456**	**38**	**640**	136	219	23	378
Australian $	**16**	**25**	**10**	**51**	817	476	10	1 303
Canadian $	**–**	**–**	**–**	**–**	235	–	–	235
Other	**15**	**8**	**–**	**23**	454	71	–	525
	3 526	**3 767**	**148**	**7 441**	3 413	4 885	40	8 338

(a) The floating rate financial liabilities bear interest at various rates set with reference to the prevailing LIBOR or equivalent for that time period and country.

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 interest rate and currency swaps used to manage the interest rate and currency profile of financial liabilities.

	Weighted average fixed interest rate **% 2003**	Weighted average period for which rate is fixed **Years 2003**	Weighted average period to maturity of the interest free liabilities **Years 2003**	Weighted average fixed interest rate % 2002	Weighted average period for which rate is fixed Years 2002	Weighted average period to maturity of the interest free liabilities Years 2002
Currency						
US $	**6.56**	**7**	**1**	7.66	13	1
SA rand	**12.39**	**5**	**13**	12.52	6	13
Australian $	**7.88**	**6**	**1**	7.34	1	2
Canadian $	**–**	**–**	**–**	5.50	1	–
Other	**7.43**	**9**	**–**	7.47	3	–
	6.81	**7**	**3**	7.55	8	8

Notes to Financial Statements continued

Financial assets – interest rate and currency profile

Short-term debtors which are not deemed financial instruments are excluded from the disclosures below.

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

	Fixed rate 2003 US$M	Floating rate(a) 2003 US$M	Non-interest bearing(b) 2003 US$M	Total 2003 US$M	Fixed rate 2002 US$M	Floating rate(a) 2002 US$M	Non-interest bearing(b) 2002 US$M	Total 2002 US$M
Currency								
US $	**27**	**1 578**	**385**	**1 990**	20	1 747	587	2 354
SA rand	**5**	**193**	**25**	**223**	5	99	31	135
Australian $	**23**	**14**	**203**	**240**	44	66	142	252
Canadian $	**2**	**144**	**–**	**146**	–	1	–	1
Other	**22**	**74**	**101**	**197**	–	192	101	293
	79	**2 003**	**714**	**2 796**	69	2 105	861	3 035

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

(b) Included within the non-interest bearing category are fixed asset investments of US$123 million (2002: US$478 million), debtors deemed to be financial instruments of US$544 million (2002: US$379 million), loans to joint ventures and associates US$24 million (2002: US$nil) and other current asset investments of US$23 million (2002: US$4 million). Items included within this category, except for current asset investments, are generally intended to be held for periods greater than five years.

Liquidity exposures

The maturity profile of the Group's financial liabilities is as follows:

	Bank loans, debentures and other loans 2003 US$M	Obligations under finance leases 2003 US$M	Subsidiary preference shares 2003 US$M	Other creditors 2003 US$M	Total 2003 US$M
In one year or less or on demand	**1 032**	**4**	**–**	**–**	**1 036**
In more than one year but not more than two years	**663**	**49**	**–**	**106**	**818**
In more than two years but not more than five years	**2 142**	**–**	**450**	**4**	**2 596**
In more than five years	**2 984**	**–**	**–**	**7**	**2 991**
	6 821	**53**	**450**	**117**	**7 441**

	Bank loans, debentures and other loans 2002 US$M	Obligations under finance leases 2002 US$M	Subsidiary preference shares 2002 US$M	Other creditors 2002 US$M	Total 2002 US$M
In one year or less or on demand	2 785	2	–	–	2 787
In more than one year but not more than two years	127	33	150	14	324
In more than two years but not more than five years	3 000	–	300	3	3 303
In more than five years	1 924	–	–	–	1 924
	7 836	35	450	17	8 338

	2003 US$M	2002 US$M
Loans falling due after more than five years are repayable as follows:		
By instalments	**529**	400
Not by instalments	**2 455**	1 524
	2 984	1 924

The aggregate amount of loans repayable by instalments and for which at least one instalment falls due after five years is US$1 052 million (2002: US$652 million).

At 30 June 2003 borrowings of US$66 million (2002: US$180 million) and US$601 million (2002: US$447 million) due within and after more than one year respectively were secured by assets of the BHP Billiton Group.

Borrowing facilities

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

	2003 US$M	2002 US$M
Expiring in one year or less	**1 250**	1 250
Expiring in more than one year (a)	**2 112**	401
	3 362	1 651

(a) Included in this amount is Tranche B being US$1 250 million (2002: US$1 250 million) of the Group's US$2.5 billion syndicated multi-currency revolving credit facility which is used to support the commercial paper programs of the Group. The amount of commercial paper on issue at 30 June 2003 was US$138 million (2002: US$849 million).

None of the BHP Billiton Group's general borrowing facilities are subject to financial covenants. Certain specific financing facilities in relation to specific businesses are the subject of financial covenants which vary from facility to facility but which would be considered normal for such facilities.

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:

	Book value **2003** **US$M**	Fair value **2003** **US$M**	Book value 2002 US$M	Fair value 2002 US$M
Primary and derivative financial instruments held or issued to finance the BHP Billiton Group's operations				
Short-term borrowings	**(1 036)**	**(1 036)**	(2 895)	(2 915)
Long-term borrowings and other creditors	**(6 734)**	**(7 291)**	(5 658)	(5 978)
Cross currency contracts				
Principal	**314**	**314**	189	189
Interest rate	**30**	**77**	–	57
Finance lease swap	**15**	**17**	26	28
Interest rate swaps	**7**	**48**	–	10
Cash and money market deposits	**1 552**	**1 552**	1 499	1 499
Loans to joint ventures and associates	**293**	**293**	488	488
Current asset investments	**143**	**143**	117	117
Fixed asset investments (excluding investment in own shares)	**148**	**153**	496	516
Investment in exploration companies (refer note 15)	**–**	**11**	–	11
Other debtors to be settled in cash	**604**	**604**	435	413
Forward foreign currency contracts	**19**	**19**	–	–
Derivative financial instruments held to hedge the BHP Billiton Group's exposure on expected future sales and capital and operating purchases				
Forward commodity contracts	**–**	**(8)**	–	(2)
Forward foreign currency contracts	**–**	**95**	–	(173)
	(4 645)	**(5 009)**	(5 303)	(5 740)

For the purposes of the disclosures in the table above, the book value of the foreign currency assets and liabilities is shown excluding the effect of foreign currency hedges.

30 Related parties

BHP Billiton Group companies have trading relationships with a number of joint ventures and associates of the BHP Billiton Group. In some cases there are contractual arrangements in place under which the BHP Billiton Group companies source supplies from such undertakings, or such undertakings source supplies from the BHP Billiton Group companies. In the year ended 30 June 2003, sales made by BHP Billiton Group entities to such joint ventures and associates amounted to US$32 million (2002: US$240 million; 2001: US$389 million) and purchases amounted to US$2 million (2002: US$3 million; 2001: US$2 million).

Amounts owing between the BHP Billiton Group and joint ventures and associates are disclosed in note 15.

All transactions with joint ventures and associates are conducted in the normal course of business and under normal commercial terms and conditions.

In 2001, two Directors, Mr Gilbertson (resigned 5 January 2003) and Mr Davis (resigned 29 June 2001), were granted options to purchase properties owned by the BHP Billiton Group, which they occupied rent free, at open market value at the time of exercise of the options. The properties were purchased in 2002.

Following the termination of his employment as Chief Executive Officer on 1 July 2002, Mr Anderson entered into a consultancy arrangement with BHP Billiton Group under which he agreed to act as a consultant to the Group for two years commencing at the time he ceased to be a Director. Mr Anderson received a total fee in 2003 of US$104 739 under this arrangement.

Share transactions with Directors and Director-related entities
The current Chief Executive Officer, C W Goodyear, was conditionally awarded 180 154 ordinary shares in BHP Billiton Limited under the Group Incentive Scheme during the year ended 30 June 2003 (2002: nil).

On 23 May 2003, agreement was reached with former Chief Executive B P Gilbertson regarding the terms of termination of his employment with the Group, some two and a half years earlier than the date provided under his contracts. Mr Gilbertson was a participant in the Group's employee share plans. None of the entitlements under those plans that had been granted to him but that had not vested at the date of his termination were transferred. Rather, the entitlements were scaled back to reflect the period of his employment. Mr Gilbertson continues to hold the scaled back entitlements but they remain subject to the same conditions that applied on grant, where pre-determined performance hurdles must be satisfied. Those hurdles will be measured at the same time and in the same manner as for other participants. The number of shares Mr Gilbertson has retained an entitlement to is 228 675 (comprising 63 159 Performance Shares under the Group Incentive Scheme, 123 218

Notes to Financial Statements continued

shares under the Restricted Share Scheme and 42 298 shares under the Co-Investment Plan). The number, if any, that might ultimately vest will remain dependent on satisfaction of the performance hurdles.

The former Managing Director and Chief Executive Officer, P M Anderson received 374 693 ordinary shares in BHP Billiton Limited during the year ended 30 June 2002 on exercise of Performance Rights.

Relatives of M A Chaney own 3 914 (2002: 3 914) fully paid ordinary shares and relatives of the current Chief Executive Officer C W Goodyear own 3 671 (2002: 3 671) American Depositary Shares (ADS). Each ADS represents two fully paid ordinary shares.

Other Director transactions with BHP Billiton Group entities
Where the Director was an employee of the BHP Billiton Group, transactions include:

- reimbursement of transfer expenses;
- minor purchases of products and stores; and
- insurance with BHP Billiton Group insurance companies.

All these transactions (which were trivial in amount) were conducted on conditions no more beneficial than those available to other employees.

Transactions with Director-related entities
A number of Directors or former Directors of BHP Billiton Plc hold or have held positions in other companies, where it may be said they control or significantly influence the financial or operating policies of these entities. Accordingly, the following entities are considered to be Director-related entities:

Director of BHP Billiton Plc	Director-related entity	Position held in Director-related entity
M A Chaney	Wesfarmers (Group) Limited	Managing Director
D A Jenkins	Chartwood Resources Ltd	Chairman and Managing Director
B D Romeril (a)	Xerox Corporation	Chief Financial Officer

(a) B D Romeril retired as Chief Financial Officer of Xerox Corporation on 31 December 2001.

Transactions between the BHP Billiton Group and these Director-related entities are detailed below:

- The Wesfarmers Group received US$5.015 million during the year ended 30 June 2003 (2002: US$22.287 million) for products and services provided to the BHP Billiton Group. The Wesfarmers Group paid US$nil (2002: US$5.052 million) to the BHP Billiton Group for various products.
- Xerox Corporation received US$1.831 million during the year ended 30 June 2002 for products and services provided to the BHP Billiton Group. At 30 June 2002 outstanding amounts due to the Xerox Corporation were US$0.619 million.

31 Contingent liabilities

	2003 US$M(c)	2002 US$M(c)
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from:		
Joint ventures and proportionally included joint arrangements (unsecured)		
Other (b)	**174**	165
	174	165
Subsidiary undertakings (unsecured, including guarantees)		
Group guarantees of borrowings of joint ventures and associates	**398**	429
Bank guarantees (a)	**–**	–
Performance guarantees (a)	**70**	72
Letter of credit	**2**	3
Other (b)	**131**	138
	601	642
Total contingent liabilities	**775**	807

(a) The BHP Billiton Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance in the normal course of business.

(b) Other contingent liabilities relate predominantly to actual or potential litigation of the Group for which amounts are reasonably estimable but the liability is not probable and therefore the Group has not provided for such amounts in these accounts. The amounts relate to a number of actions against the Group, none of which are individually significant. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been included in the table above. Details of the principal legal claims are set out below and in note 21.

(c) For US GAAP reporting purposes, the Group is required to include as contingent liabilities amounts where (1) provisions have been made in the accounts but further amounts are reasonably possible, and (2) additional amounts to the guarantees included above where the probability of a transfer of economic benefits is considered to be remote. Not included in the table above are Group guarantees of borrowings of joint ventures and associates of US$47 million (2002: US$21 million), US$45 million (2002: US$25 million) in performance guarantees and US$198 million (2002: US$43 million) in other for which provisions have been included in the Group accounts.

Unless otherwise indicated, these financial statements are presented in US dollars and prepared in accordance with UK GAAP

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Significant guarantees

The following outlines the details of significant guarantees provided by the BHP Billiton Group at 30 June 2003 and included in the table above where appropriate.

Name	Approximate term of the guarantee and maximum exposure	Details on how the guarantee arose	Events or circumstances that require BHP Billiton to perform under the terms of the guarantee
Bank guarantees of joint ventures and associates			
Antamina SA Senior Debt	US$398 million (2002: US$423 million) is included as the Group's guarantees of borrowings of joint ventures and associates relating to its 33.75% share of Antamina SA's senior debt. The Group's maximum exposure in relation to this debt is US$445 million (2002: US$445 million).Following the satisfaction of several pre-agreed completion tests, the guarantee terminated on 1 July 2003.	Rio Algom, a wholly-owned subsidiary of the BHP Billiton Group, provided a several pre-completion guarantee of its share of Antamina SA's project financing senior debt.	
Bank guarantees - Other			
Workcover bank guarantees	The term of these guarantees are ongoing as they cover all current and long tail liability claims associated with former Steel businesses and continuing BHP Billiton businesses. Bank guarantees of US$44 million (2002: US$nil) in relation to workcover are indemnified in full by BHP Steel.	These guarantees predominantly relate to guarantees in favour of workcover authorities in various States throughout Australia. Each State's workcover authority requires that a self-insurer put in place guarantees equivalent to the actuarially assessed potential liability.	Failure to meet the financial obligations required under each State's relevant Workcover Act. BHP Steel has indemnified the BHP Billiton Group for any liabilities or loss arising out of or in connection with such guarantees related to BHP Steel. Due to the indemnification provided by BHP Steel the Group considers the risk of transfer of economic benefit to be remote and has therefore not included them in the table above.
Performance guarantees			
Mozal SARL guarantees	Following the satisfaction of several pre-agreed completion tests expected to occur between December 2003 and May 2004, the guarantees are expected to terminate. The project is progressing on schedule with full production estimated to occur by December 2003. The estimated maximum exposure for this guarantee is US$45 million (2002: US$25 million) based on the incremental obligation between the Group's ownership interest and the guaranteed amount.	The guarantee arose as part of the funding arrangements for Mozal I. The period of the guarantee was extended as a result of the Mozal II expansion project.	The Group has an obligation to provide funding to Mozal SARL for any deficiencies arising for the following three reasons: • 50% of any cash shortfalls to meet the financial obligations of Mozal SARL; • 49% of any financing shortfalls where funds have not been provided under the financial plan for the Mozal II expansion; and • 49% of any cost overruns in excess of the projected cost set out in the financial plan for the Mozal II expansion.
Charter guarantees of ocean-going transportation vessels	The guarantees extend over a charter period of 15 years. The maximum exposures under these guarantees is US$59 million (2002: US$54 million) but reduces over time as the time charter obligations are met.	The Group has guaranteed the time charter obligations for ocean-going transportation vessels entered into by parties related to the Group.	These guarantees would be called should the related party fail to honour their obligations under the time charter arrangements.

Current litigation

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 inquiry 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.

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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. BHP Billiton and OTML deny that there has been any recommendations regarding a tailings option by an independent inquiry conducted by the State. OTML and BHP Billiton Limited also assert that there has been no breach of the Settlement Agreement and are defending the claims.

BHP Billiton Limited transferred its entire shareholding in OTML to PNG Sustainable Development Program Limited ('Program Company') in February 2002, completing BHP Billiton Limited's withdrawal from the Ok Tedi copper mine. The Program Company operates for the benefit of the Papua New Guinean people.

Legal arrangements for the withdrawal encompass a series of legal releases, indemnities and warranties that safeguard BHP Billiton's interests following its exit from OTML.

The Victorian Supreme Court litigation continues, with substantially amended pleadings. The Court has set out a detailed timetable for further steps, including witness statements, leading to compulsory mediation and, if necessary, trial in mid-2004.

No amounts have been included in contingent liabilities in respect of this item of litigation.

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, following hearing of the claim against Esso the State Entities may join BHP Billiton Petroleum (Bass Strait) Pty Ltd (BHPBP) as a further cross respondent, with the effect that if any sums are recovered against the State Entities they will seek contribution from BHPBP.

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

In turn, BHPBP may have rights against Esso as operator in relation to losses and costs BHPBP has incurred in relation to the incident, including under the cross claim by the State Entities.

On 20 February 2003, the Victorian Supreme Court found that Esso is not liable for economic loss. The court further found that Esso is liable to business users for property damage and any economic loss consequential upon property damage. The quantum of these losses is unknown. The Court set a date of 1 September 2003 for lodgement of particulars of all claims. Resolution of claims is likely to continue into 2004.

Over the next few months the Court will also consider questions of appeal, and whether claims against the State and BHPBP should proceed.

No amounts have been included in contingent liabilities in respect of this item of litigation.

Notes to Financial Statements continued

32 BHP Billiton Plc (unconsolidated parent company)

BHP Billiton Plc (the parent company) is exempt from presenting its own profit and loss account in accordance with s230 of the Companies Act 1985. BHP Billiton Plc is required to present its unconsolidated balance sheet and certain notes to the balance sheet on a stand-alone basis as at 30 June 2003 and 2002 as follows:

BHP Billiton Plc (unconsolidated parent company) balance sheet

	BHP Billiton Plc	
	2003	2002
	US$M	US$M
Fixed assets		
Investments		
Subsidiaries	**3 030**	3 030
	3 030	3 030
Current assets		
Debtors – amounts due within one year (a)	**318**	97
Cash including money market deposits	**1**	–
	319	97
Creditors – amounts falling due within one year (b)	**(950)**	(613)
Net current liabilities	**(631)**	(516)
Total assets less current liabilities	**2 399**	2 514
Provisions for liabilities and charges (c)	**(44)**	(10)
Net assets	**2 355**	2 504
Capital and reserves		
Called up share capital – BHP Billiton Plc (refer note 22)	**1 234**	1 160
Share premium account (d)	**518**	592
Profit and loss account (d)	**603**	752
Equity shareholders' funds (e)	**2 355**	2 504

Notes to the BHP Billiton Plc (unconsolidated parent company) balance sheet

(a) Debtors – amounts due within one year

	BHP Billiton Plc	
	2003	2002
	US$M	US$M
Amounts owed by Group undertakings	**300**	84
Other debtors	**4**	–
Tax recoverable	**14**	13
	318	97

(b) Creditors – amounts falling due within one year

	BHP Billiton Plc	
	2003	2002
	US$M	US$M
Bank overdraft	**100**	–
Amounts owed to Group undertakings	**656**	456
Accruals and deferred income	**9**	6
Dividends payable	**185**	151
	950	613

The audit fee payable in respect of the audit of the BHP Billiton Plc company financial statements was US$66 000 (2002: US$15 000). This has been included within amounts owed to Group undertakings

(c) Provisions for liabilities and charges

	BHP Billiton Plc	
	2003	2002
	US$M	US$M
Employee entitlements	**41**	6
Restructuring	**2**	3
Post-retirement medical benefits	**1**	1
	44	10

The movement in employee entitlements of US$35 million represents US$49 million which has been charged to the profit and loss account for salaries, bonuses, share awards and pension costs, less US$14 million in payments made during the year

Notes to Financial Statements continued

(d) Reserves

	BHP Billiton Plc		BHP Billiton Plc	
	Share premium account **2003** **US$M**	Profit & loss account **2003** **US$M**	Share premium account 2002 US$M	Profit & loss account 2002 US$M
At beginning of the financial year	**592**	**752**	592	1 125
Retained loss for the financial year	**–**	**(149)**	–	(373)
Bonus shares issued	**(74)**	**–**	–	–
At end of the financial year	**518**	**603**	592	752

Upon the demerger of the BHP Steel business in July 2002 bonus shares of BHP Billiton Plc were issued to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held).

(e) Reconciliation of movements in shareholders' funds

	BHP Billiton Plc	
	2003 **US$M**	2002 US$M
Profit/(loss) for the financial year	**209**	(72)
Total recognised gains and losses	**209**	(72)
Dividends	**(358)**	(301)
Net movement in shareholders' funds	**(149)**	(373)
Shareholders' funds at beginning of the financial year	**2 504**	2 877
Shareholders' funds at end of the financial year	**2 355**	2 504

Parent company guarantees

BHP Billiton Plc has guaranteed certain financing facilities available to subsidiaries. At 30 June 2003 such facilities totalled US$1 016 million (2002: US$614 million) of which US$816 million (2002: US$258 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 Ltd. At 30 June 2003 the guaranteed liabilities amounted to US$3 737 million (2002: US$4 345 million).

BHP Billiton Plc and BHP Billiton Limited have severally, fully and unconditionally guaranteed the payment of the principal of, premium, if any, and interest on the notes including certain additional amounts which may be payable in respect of the notes issued by BHP Billiton Finance (USA) Ltd on 17 April 2003. BHP Billiton Plc and BHP Billiton Limited have guaranteed the payment of such amount when such amounts become due and payable, whether on an interest payment date, at the stated maturity of the notes, by declaration or acceleration, call for redemption or otherwise. At 30 June 2003 the guaranteed liabilities amounted to US$850 million.

Notes to Financial Statements continued

33 US Generally Accepted Accounting Principles disclosures

The financial statements of the BHP Billiton Group are prepared in accordance with UK Generally Accepted Accounting Principles (GAAP). The financial statements, analyses and reconciliations presented in this note represent the financial information which would be required if US GAAP had been applied instead of UK GAAP. As discussed below, the Group changed its methods of accounting for goodwill and emplyee stock-based compensation, refer footnotes (D) and (R) respectively, under US GAAP in the year ended 30 June 2003.

Reconciliation to US GAAP

The following is a summary of the estimated adjustments to net income for the years ended 30 June 2003, 2002 and 2001 that would be required if US GAAP had been applied instead of UK GAAP. Certain items in the comparative periods have been reclassified to conform to current period disclosures.

		2003 US$M	2002 US$M	2001 US$M
Reconciliation of net income				
Attributable profit as reported under UK GAAP		**1 901**	1 690	1 529
add/(deduct)				
Estimated adjustment required to accord with US GAAP:				
BHP Billiton Plc Group's pre-acquisition profit attributable to shareholders under UK GAAP	(A)	**–**	–	(565)
Fair value adjustment on acquisition of BHP Billiton Plc Group – depreciation, amortisation and other asset movements	(B)	**(181)**	(454)	(11)
BHP Steel demerger	(C)	**17**	(333)	–
Employee compensation costs	(D)	**31**	26	(117)
Write-down of assets	(E)	**8**	–	–
Depreciation – write-downs	(E)	**(2)**	(18)	(19)
Depreciation – revaluations	(F)	**5**	5	5
Depreciation – reserves	(G)	**(3)**	(15)	–
Restructuring and employee provisions	(H)	**(11)**	(55)	31
Fair value accounting for derivatives	(I)	**(23)**	279	(33)
Synthetic debt	(J)	**(20)**	18	–
Realised net exchange gains on sale of assets/closure of operations	(K)	**–**	84	7
Exploration, evaluation and development expenditures	(L)	**9**	(60)	(3)
Start-up costs	(M)	**3**	(2)	5
Profit on asset sales	(N)	**2**	2	2
Pension plans	(O)	**(24)**	(12)	24
Other post-retirement benefits	(P)	**5**	8	–
Mozal expansion rights	(Q)	**6**	22	–
Goodwill	(R)	**2**	–	–
Employee Share Plan loans	(S)	**(8)**	(16)	–
Purchase business combination costs	(T)	**–**	–	38
Expenses on spin-off of OneSteel	(U)	**–**	–	(30)
Restoration and rehabilitation costs	(V)	**–**	–	50
Consolidation of Tubemakers of Australia Ltd	(W)	**–**	–	(1)
Taxation effect of above adjustments		**118**	66	(30)
Other taxation adjustments	(X)	**(254)**	14	–
Total adjustment		**(320)**	(441)	(647)
Net income of BHP Billiton Group under US GAAP		**1 581**	1 249	882

Notes to Financial Statements continued

The following is a summarised income statement prepared in accordance with US GAAP. Certain items in the comparative periods have been reclassified to conform to current period disclosures.

	2003 US$M	2002 US$M	2001 US$M
Consolidated income statement			
Sales revenue	**15 608**	13 552	8 100
deduct			
Cost of sales	**10 965**	9 527	6 149
Depreciation and amortisation	**1 820**	1 882	1 137
General and administrative expenses	**125**	174	185
Operating income	**2 698**	1 969	629
add			
Other income	**223**	321	516
Interest income	**65**	142	61
deduct			
Interest expense	**302**	465	271
Net foreign exchange loss/(gain)	**462**	(242)	25
Income before tax, minority interests and equity in net earnings of affiliated companies	**2 222**	2 209	910
deduct			
Taxation expense	**774**	878	467
add			
Share of profits of affiliated companies	**164**	221	15
deduct/(add)			
Minority interests	**36**	39	(260)
Net income from Continuing Operations	**1 576**	1 513	718
Discontinued Operations			
Income from Discontinued Operations	**–**	74	205
deduct/(add)			
Taxation expense/(benefit) from Discontinued Operations	**–**	(3)	34
add/(deduct)			
Net profit/(loss) on disposal of operations	**5**	(333)	(31)
deduct			
Minority interest in Discontinued Operations	**–**	8	4
Net income/(loss) from Discontinued Operations	**5**	(264)	136
Cumulative effect of change in accounting policy, net of tax	**–**	–	28
Net income	**1 581**	1 249	882

	2003 US$	2002 US$	2001 US$
Earnings per share – US GAAP (a)(b)			
Basic – Continuing Operations	**0.25**	0.25	0.19
Diluted – Continuing Operations	**0.25**	0.25	0.19
Basic – Discontinued Operations	**–**	(0.04)	0.04
Diluted – Discontinued Operations	**–**	(0.04)	0.04
Basic – cumulative effect of change in accounting policy	**–**	–	0.01
Diluted – cumulative effect of change in accounting policy	**–**	–	0.01
Basic – net income	**0.25**	0.21	0.24
Diluted – net income	**0.25**	0.21	0.24

(a) Based on the weighted average number of shares on issue for the period (refer note 12).

(b) For the periods indicated, each American Depositary Share (ADS) represents two ordinary shares. Therefore the earnings per ADS under US GAAP is a multiple of two from the above earnings per share disclosures.

Notes to Financial Statements continued

The following reconciliation of comprehensive income reports changes in shareholders' equity excluding those resulting from investments by shareholders and distributions to shareholders.

		2003 US$M	2002 US$M	2001 US$M
Reconciliation of comprehensive income (a)				
Total changes in equity other than those resulting from transactions with owners under UK GAAP		**1 968**	1 715	1 401
Adjustments to reflect comprehensive income in accordance with US GAAP, net of income tax:				
Total adjustment to net income per above reconciliation		**(320)**	(441)	(227)
Reclassification adjustment for net exchange gains		**–**	(84)	(7)
Net loss on qualifying cash flow hedging instruments at 1 July 2000		**–**	–	(268)
Losses on qualifying cash flow hedging instruments		**–**	–	(301)
Net transfer to earnings on maturity of cash flow hedging instruments		**221**	148	150
Minimum pension liability	(O)	**(195)**	–	–
Change in fair value of listed investments	(Y)	**1**	5	–
Comprehensive income – under US GAAP		**1 675**	1 343	748
Accumulated other comprehensive income comprises:				
Exchange fluctuation account		**362**	387	446
Qualifying cash flow hedging instruments (b)		**(50)**	(271)	(419)
Minimum pension liability		**(195)**	–	–
Other items		**6**	5	–
Total accumulated other comprehensive income		**123**	121	27
Tax benefit/(expense) of other comprehensive income items:				
Movements in exchange fluctuation account		**(2)**	1	74
Net loss on qualifying cash flow hedging instruments as at 1 July 2000		**–**	–	115
Losses on qualifying cash flow hedging instruments		**–**	–	129
Net transfer to earnings on maturity of cash flow hedging instruments		**(95)**	(63)	(65)
Minimum pension liability		**33**	–	–
Changes in fair value of listed investments		**–**	–	–

(a) 2003 and 2002 represent the BHP Billiton Group. 2001 represents the 'predecessor' being the BHP Billiton Limited Group.

(b) Estimated losses expected to be reclassified from other comprehensive income to earnings in the year ending 30 June 2004 are approximately US$47 million after tax.

Notes to Financial Statements continued

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2003 and 30 June 2002 that would be required if US GAAP had been applied instead of UK GAAP. Certain items in the comparative period have been reclassified to conform to current period disclosures.

		2003 US$M	2002 US$M
Reconciliation of shareholders' equity			
Shareholders' equity under UK GAAP		**12 013**	12 356
add/(deduct)			
Estimated adjustment required to accord with US GAAP:			
Fair value adjustments on acquisition of BHP Billiton Plc Group			
Investments	(B) (ii)	**1 000**	1 039
Property, plant and equipment	(B) (iii)	**1 967**	2 072
Undeveloped properties	(B) (iv)	**660**	687
Long-term contracts	(B) (v)	**37**	39
Goodwill	(B) (vi)	**3 171**	3 174
Long-term debt	(B) (vii)	**8**	13
BHP Steel demerger	(C)	**–**	(264)
Employee compensation costs	(D)	**81**	–
Write-down of assets	(E)	**53**	87
Property, plant and equipment revaluations	(F)	**(58)**	(63)
Reserves	(G)	**(18)**	(15)
Restructuring and employee provisions	(H)	**–**	11
Fair value accounting for derivatives	(I)	**166**	(127)
Synthetic debt	(J)	**11**	31
Exploration, evaluation and development expenditures	(L)	**(117)**	(126)
Start-up costs	(M)	**(52)**	(55)
Profit on asset sales	(N)	**(18)**	(20)
Pension plans	(O)	**(361)**	(109)
Other post-retirement benefits	(P)	**(10)**	(15)
Mozal expansion rights debtor	(Q)	**(33)**	(39)
Goodwill	(R)	**2**	–
Employee Share Plan loans	(S)	**(71)**	(135)
Change in fair value of listed investments	(Y)	**11**	10
Taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	(B) (viii)	**(1 461)**	(1 557)
Taxation effect of all other above adjustments		**91**	139
Other taxation adjustments	(X)	**(240)**	14
Total adjustment		**4 819**	4 791
Shareholders' equity under US GAAP		**16 832**	17 147

Notes to Financial Statements continued

The following are the variations in the balance sheet as at 30 June 2003 and 30 June 2002 that would be required if US GAAP had been applied instead of UK GAAP.

The column headed 'Unadjusted' represents a US GAAP format presentation of the assets, liabilities and shareholders' equity which have been measured in accordance with UK GAAP. The column headed 'Adjustments' represents the allocation of those measurement differences (presented in the 'Reconciliation of shareholders' equity'), which are required to derive a balance sheet in accordance with US GAAP. Certain items in the comparative period have been reclassified to conform to current period disclosures.

	Unadjusted **30 June 2003 US$M**	Adjustments **30 June 2003 US$M**	US GAAP **30 June 2003 US$M**	Unadjusted 30 June 2002 US$M	Adjustments 30 June 2002 US$M	US GAAP 30 June 2002 US$M
Balance Sheet						
Assets						
Current assets						
Cash	**1 552**	**–**	**1 552**	1 413	–	1 413
Restricted cash	**–**	**275**	**275**	–	273	273
Receivables	**2 095**	**(8)**	**2 087**	2 151	(251)	1 900
Other financial assets	**143**	**70**	**213**	116	–	116
Inventories	**1 328**	**–**	**1 328**	1 160	–	1 160
Other assets	**129**	**–**	**129**	100	93	193
Total current assets – continuing operations	**5 247**	**337**	**5 584**	4 940	115	5 055
Total current assets – discontinued operations	**–**	**–**	**–**	748	–	748
Total current assets	**5 247**	**337**	**5 584**	5 688	115	5 803
Non-current assets						
Receivables	**897**	**(369)**	**528**	882	(337)	545
Investments accounted for using the equity method	**1 403**	**1 000**	**2 403**	1 505	1 037	2 542
Other financial assets	**150**	**115**	**265**	489	10	499
Inventories	**51**	**–**	**51**	45	–	45
Property, plant and equipment	**19 809**	**2 423**	**22 232**	17 692	2 192	19 884
Intangible assets	**–**	**56**	**56**	–	39	39
Goodwill	**7**	**3 179**	**3 186**	9	3 180	3 189
Deferred tax assets	**447**	**19**	**466**	462	67	529
Other assets	**354**	**(124)**	**230**	796	(100)	696
Total non-current assets – continuing operations	**23 118**	**6 299**	**29 417**	21 880	6 088	27 968
Total non-current assets – discontinued operations	**–**	**–**	**–**	1 984	40	2 024
Total non-current assets	**23 118**	**6 299**	**29 417**	23 864	6 128	29 992
Total assets	**28 365**	**6 636**	**35 001**	29 552	6 243	35 795
Liabilities and shareholders' equity						
Current liabilities						
Payables	**2 267**	**–**	**2 267**	2 143	100	2 243
Interest bearing liabilities	**898**	**–**	**898**	1 884	(141)	1 743
Tax liabilities	**322**	**22**	**344**	518	–	518
Other provisions	**1 141**	**1**	**1 142**	1 009	(9)	1 000
Total current liabilities – continuing operations	**4 628**	**23**	**4 651**	5 554	(50)	5 504
Total current liabilities – discontinued operations	**–**	**–**	**–**	448	–	448
Total current liabilities	**4 628**	**23**	**4 651**	6 002	(50)	5 952
Non-current liabilities						
Payables	**195**	**–**	**195**	121	16	137
Interest bearing liabilities	**6 426**	**(12)**	**6 414**	6 329	(33)	6 296
Tax liabilities	**1 434**	**1 609**	**3 043**	1 364	1 471	2 835
Other provisions	**3 351**	**186**	**3 537**	2 661	33	2 694
Total non-current liabilities – continuing operations	**11 406**	**1 783**	**13 189**	10 475	1 487	11 962
Total non-current liabilities – discontinued operations	**–**	**–**	**–**	393	–	393
Total non-current liabilities	**11 406**	**1 783**	**13 189**	10 868	1 487	12 355
Total liabilities	**16 034**	**1 806**	**17 840**	16 870	1 437	18 307
Equity minority interests	**318**	**11**	**329**	326	15	341
Shareholders' equity						
Paid in capital	**3 517**	**5 210**	**8 727**	4 895	5 088	9 983
Other equity items	**362**	**(239)**	**123**	471	(266)	205
Retained profits	**8 134**	**(152)**	**7 982**	6 990	(31)	6 959
Total shareholders' equity	**12 013**	**4 819**	**16 832**	12 356	4 791	17 147
Total liabilities and shareholders' equity	**28 365**	**6 636**	**35 001**	29 552	6 243	35 795

Notes to Financial Statements continued

The BHP Billiton Group Statement of Consolidated Cash Flows has been prepared in accordance with UK accounting standard FRS 1, the objectives and principles of which are similar to those set out in US accounting standard SFAS 95 'Statement of Cash Flows'. The principal differences between the standards relate to the classification of items within the cash flow statement as well as the definition of cash and cash equivalents.

The statement below shows the adjustments to be made to the UK GAAP cash flow statement to reclassify it to comply with US GAAP for the two years ended 30 June 2003:

	2003 US$M	2002 US$M
Reconciliation of Cash Flows		
Net cash inflow/outflow from operating activities in accordance with UK GAAP	**4 793**	4 605
Reclassified to financing activities	**(1)**	(33)
Dividends received	**212**	187
Returns on investments and servicing of finance	**(375)**	(375)
Tax paid	**(1 002)**	(515)
Exploration and other capital expenditure	**(399)**	(512)
Net cash provided by operating activities in accordance with US GAAP	**3 228**	3 357
Capital expenditures	**(2 421)**	(2 159)
Acquisitions and disposals	**405**	(38)
Net (purchase)/sale of investments	**465**	50
Net cash used in investing activities in accordance with US GAAP	**(1 551)**	(2 147)
Proceeds from issuance of ordinary shares (a)	**152**	121
Decrease in interest bearing liabilities	**(911)**	(324)
Equity dividend paid	**(868)**	(831)
Other	**1**	33
Net cash provided by financing activities in accordance with US GAAP	**(1 626)**	(1 001)
Exchange translation effects	**2**	5
Net increase in cash and cash equivalents in accordance with US GAAP	**53**	214
Cash and cash equivalents at beginning of period	**1 499**	1 285
Cash and cash equivalents at end of period	**1 552**	1 499
At year end cash and cash equivalents is made up of:		
Cash at bank and in hand	**587**	1 199
Money market deposits (b)	**965**	300
Cash and cash equivalents at end of period (c)	**1 552**	1 499

(a) Net of shares repurchased of US$20 million (2002: US$19 million).

(b) Money market deposits with financial institutions have a maturity up to, but not more than, three months.

(c) At 30 June 2003, all cash and cash equivalents relate to Continuing Operations. At 30 June 2002, cash and cash equivalents is comprised of cash from Continuing Operations of US$1 413 million and cash from Discontinued Operations of US$86 million.

Additional US GAAP information – Predecessor entity

The information presented below in respect of the predecessor entity in respect of cash flows, shareholders' equity, income tax and segment information is derived from the audited financial statements of BHP Billiton Limited for the year ended 30 June 2001. This information is presented in US dollars as the Company has adopted the US dollar as its reporting currency. The US dollar translations are principally based on the average US$/A$ exchange rate for the year ended 30 June 2001 of 0.5381 and the US$/A$ exchange rate as at 30 June 2001 of 0.5054. Certain additional exchange differences are reflected in aligning these translated amounts with US dollar amounts reported elsewhere in these financial statements.

Notes to Financial Statements continued

Statement of cash flows

The following is a statement of cash flows prepared in accordance with US GAAP:

	2001 US$M
Cash flows related to operating activities	
Receipts from customers	11 361
Payments to suppliers, employees, etc.	(7 975)
Dividends received	44
Interest received	63
Borrowing costs	(350)
HBI Venezuela guarantee payment	(331)
Exploration expenditure	(279)
Other	209
Operating cash flows before income tax	2 742
Income taxes paid net of refunds received	(328)
Net cash provided by operating activities in accordance with US GAAP	2 414
Cash flows related to investing activities	
Purchases of property, plant and equipment	(1 058)
Purchases of investments	(369)
Purchases of, or increased investment in, controlled entities and joint venture interests net of their cash (a)	308
Investing cash outflows (net)	(1 119)
Proceeds from sale of property, plant and equipment	88
Proceeds from sale or redemption of investments	245
Proceeds from OneSteel spin-off	355
Proceeds from sale or partial sale of controlled entities and joint venture interests net of their cash	219
Net cash used in investing activities in accordance with US GAAP	(212)
Cash flows related to financing activities	
Proceeds from ordinary share issues, etc.	76
Proceeds from interest bearing liabilities	414
Repayment of interest bearing liabilities	(1 460)
Dividends paid	(498)
Net cash provided by financing activities in accordance with US GAAP	(1 468)
Exchange translation effects	(74)
Net increase in cash and cash equivalents in accordance with US GAAP	660
Cash and cash equivalents at beginning of period	625
Cash and cash equivalents at end of period	1 285
At year end cash and cash equivalents is made up of:	
Cash at bank and in hand	836
Money market deposits (b)	449
Cash and cash equivalents at end of period (c)	1 285

(a) Net of cash received of US$687 million in the merger with BHP Billiton Plc.
(b) Money market deposits with financial institutions have a maturity up to, but not more than, three months.
(c) At 30 June 2001, cash and cash equivalents is comprised of cash from Continuing Operations of US$1 147 million and cash from Discontinued Operations of US$138 million.

Shareholders' equity

The following is the movement in shareholders' equity, prepared in accordance with US GAAP:

	2001 US$M
Shareholders' equity opening balance	6 333
Profit for the year	882
Transactions with owners:	
Paid in capital	230
Dividends	(476)
OneSteel spin-off	(677)
Movements in other comprehensive income	(134)
Acquisition of BHP Billiton Plc Group	11 529
Net foreign exchange differences	(1 085)
Shareholders' equity closing balance	16 602

Notes to Financial Statements continued

Income tax

The following is a reconciliation of income tax expense prepared in accordance with US GAAP:

	2001 US$M
Reconciliation of income tax	
Net income before tax and minority interests	1 149
Prima facie tax calculated at 34 cents in the dollar	391
deduct tax effect of	
Investment and development allowance	21
Rebate for dividends	3
Amounts over provided in prior years	27
Deferred tax restatement	9
Non-tax effected gains	8
Non-tax effected capital gains	75
Recognition of prior year tax losses	143
Overseas tax rate changes	17
Research and development incentive	2
	86
add tax effect of	
Non-deductible accounting depreciation and amortisation	17
Non-deductible dividends on redeemable preference shares	27
Tax differential – non-Australian income	28
Foreign expenditure including exploration not presently deductible	58
Investment and asset write-offs and associated losses	173
Non-deductible financing costs	34
Other	48
Net foreign exchange differences	14
US GAAP reconciling items	38
Income tax expense attributable to net income	523

Segment information

The following is a reconciliation to US GAAP of segment information:

	External revenue	Inter-segment revenue	Depreciation and amortisation	Net profit(a)
Industry classification – 2001 US$M				
Minerals	5 466	179	565	336
Petroleum	3 419	22	542	1 031
Steel	3 258	332	173	174
Net unallocated interest	50	–	–	(185)
Group and unallocated items	(97)	46	13	(544)
Net foreign exchange differences	(26)	–	(8)	41
US GAAP reconciling items	(436)	–	14	(227)
Total	11 634	579	1 299	626

Segment information continued

	External revenue	Inter-segment revenue	Net profit(a)
Geographical classification – 2001 US$M			
Australia	8 065	149	1 054
North America	990	–	121
United Kingdom	603	–	155
South America	1 088	–	(13)
Papua New Guinea	512	–	(419)
New Zealand	287	–	41
South East Asia	378	–	38
Other countries	123	–	20
	12 046	149	997
Net unallocated interest	50	–	(185)
Net foreign exchange differences	(26)	–	41
US GAAP reconciling items	(436)	–	(227)
Total	11 634	149	626

(a) Net profit is before deducting minority interests.

Notes to Financial Statements continued

Basis of presentation under US GAAP

DLC merger

On 29 June 2001, BHP Billiton Plc (formerly Billiton Plc) consummated the Dual Listed Companies (DLC) merger with BHP Billiton Limited (formerly BHP Limited). A description of the DLC merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'. In accounting for this transaction, the most significant difference between UK GAAP and US GAAP is that, under UK GAAP, the DLC merger has been accounted for as a merger (pooling of interests) in accordance with UK Financial Reporting Standard 6 'Acquisitions and Mergers', whereas under US GAAP, the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. The BHP Billiton Limited Group has been identified as the acquirer because of the majority ownership interest of BHP Billiton Limited shareholders in the DLC structure. In a merger, the assets, liabilities and equity of the BHP Billiton Plc Group and of the BHP Billiton Limited Group are combined at their respective book values as determined under UK GAAP. Under US GAAP, the reconciliation of shareholders' equity includes the purchase adjustments required under US GAAP to recognise the BHP Billiton Plc Group assets and liabilities at their fair values and to record goodwill.

Although UK GAAP and US GAAP both require the consolidation of the BHP Billiton Plc Group with the BHP Billiton Limited Group at 30 June 2001, UK GAAP also requires that their respective financial statements for periods prior to the date the DLC merger was consummated are combined. Under purchase accounting, the retroactive combination of financial statements is not appropriate. As the BHP Billiton Limited Group is the accounting acquirer, and is the 'predecessor' to the BHP Billiton Group, for the year ended 30 June 2001, the US GAAP consolidated income statement only includes the operations of the BHP Billiton Limited Group.

Restricted cash

The Group has cash on deposit with financial institutions that is classified as restricted under US GAAP as it is part of arrangements involving loans from those institutions to certain joint ventures within the Group. Under UK GAAP these balances are treated as loans to joint ventures and associates.

Debtors

In accordance with UK GAAP, certain debtors were included on the balance sheet, which were considered to have been sold and were not included on the balance sheet under US GAAP. The value of debtors at 30 June 2003 which were the subject of such treatment was US$nil (30 June 2002: US$141 million).

Joint ventures and joint arrangements

Under US GAAP, all investments classified as joint ventures, as detailed under the heading 'Joint ventures' in note 1 'Principal subsidiaries, joint ventures, associates and joint arrangements', are accounted for under the equity method of accounting in accordance with APB 18. All joint arrangements, as detailed under the heading 'Proportionally included joint arrangements' in note 1, are proportionally accounted for in accordance with Emerging Issues Task Force Opinion (EITF) 00-01 'Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures'.

The BHP Billiton Group's investment in the Richards Bay Minerals (RBM) joint venture is comprised of two legal entities, Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited. Although the BHP Billiton Group owns 51 per cent of Tisand (Pty) Limited, it has not been consolidated under US GAAP in accordance with EITF 96-16 'Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights'. The substantive participating rights of the minority interests holder in Tisand (Pty) Limited are embodied in the shareholder agreement between the BHP Billiton Group and Rio Tinto, the co-venturer. The shareholder agreement ensures that the RBM joint venture functions as a single economic entity. The overall profit of the RBM joint venture is also shared equally between the venturers. The shareholder agreement also states that the parties agree that they shall as their first priority seek the best interests of the project as an autonomous commercial operation rather than seek to service the individual interests of any of the other parties.

The BHP Billiton Group holds a 57.5 per cent ownership interest in Minera Escondida, a joint arrangement in which three other participants hold ownership interests of 30 per cent, 10 per cent and 2.5 per cent, respectively. The rights of the participants are governed by a Participants' Agreement and a Management Agreement. A manager provides management and support services to the project and the compensation of the manager is set forth in the Management Agreement. The Management Agreement establishes an Owners' Council, consisting of members appointed by each participant to represent their interest in Escondida. Each member on the Owners' Council holds voting rights equal to the ownership interest of the participant they represent, although certain matters require the affirmative vote of members of the Owners' Council having in aggregate voting rights equal to or greater than 75 per cent of the total ownership interest. Such matters generally include capital expenditure in excess of prescribed limits, sales of copper concentrate to a single customer, capacity expansions, the termination of construction, mining or production of copper concentrates, and indebtedness. The Agreement also stipulates that certain matters shall require the affirmative vote of all members of the Owners' Council having an ownership interest of 10 per cent or more. Those matters generally relate, within prescribed limits, to changes in the project, changes in the construction budget, the sale or transfer of any Escondida concessions, asset dispositions, agreements between Escondida and a participant, and share or other equity interest issuances in Escondida. In accordance with EITF 96-16, the BHP Billiton Group has not consolidated this investment.

Notes to Financial Statements continued

Foreign exchange gains and losses
Under UK GAAP, foreign exchange gains and losses arising from the restatement of non-US dollar tax balances are included as part of income tax expense. In addition, foreign exchange gains and losses arising from the restatement of non-US dollar interest bearing liabilities are included in net interest expense and other foreign exchange gains and losses form part of other operating costs. Under US GAAP, all net foreign exchange gains and losses are shown in aggregate as a separate line item in the consolidated income statement. In 2003, the net exchange loss includes losses of US$255 million (2002: gain of US$43 million, 2001: US$nil) on tax balances and US$115 million (2002: gain of US$146 million, 2001: US$nil) on interest bearing liabilities.

Cash flows
Under US GAAP, dividends from joint ventures and associates, cash flows from returns on investments and servicing of finance, and tax paid are included in operating activities. In addition, capital expenditure and acquisitions and disposals are included as investing activities. Proceeds from the issuance of shares, increases and decreases in debt, and dividends paid, are included as financing activities. Under UK GAAP, cash is defined as cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Under US GAAP, cash is defined as cash in hand and deposits but also includes cash equivalents, which are short-term investments with original maturities of less than three months.

US GAAP adjustments
(A) Elimination of the BHP Billiton Plc Group financial information

This adjustment eliminates the pre-acquisition net income of the BHP Billiton Plc Group recorded in the BHP Billiton Group UK GAAP financial statements for the year ended 30 June 2001. This elimination is not applicable for post-acquisition periods.

(B) Acquisition of BHP Billiton Plc

On 29 June 2001, BHP Billiton Limited and BHP Billiton Plc established a DLC merger. Under US GAAP, the DLC merger is accounted for as a purchase business combination of the BHP Billiton Plc Group by the BHP Billiton Limited Group.

The total assumed purchase consideration of US$11 529 million was calculated by multiplying the number of shares held by BHP Billiton Plc shareholders of 2 319 147 885 on 29 June 2001 by the US$4.9559 adjusted average share price of BHP Billiton Limited's ordinary shares. The average share price was calculated over a period of three days prior to, and subsequent to, the announcement of the DLC merger on 19 March 2001. The average share price is adjusted for the 1:1 equalisation ratio, which is achieved by BHP Billiton Limited's bonus share issue of 1 912 154 524 million shares in the ratio of 1.0651 additional bonus shares for every existing share held – prior to the bonus share adjustment the average share price would be US$10.2344 (i.e. by a factor of 2.0651). The 2 319 147 885 shares held by BHP Billiton Plc shareholders on 29 June 2001 reflect the vesting of rights under the Restricted Share Scheme and the Co-Investment Plan. As such, there were no outstanding stock options, stock appreciation rights or similar issuances of BHP Billiton Plc, and no purchase consideration is attributable to such securities. The cost of acquisition was therefore US$11 529 million, including direct external acquisition costs of US$36 million. The direct external acquisition costs have been expensed as incurred for UK GAAP purposes.

Under US GAAP purchase accounting, the cost of the acquisition is allocated to the fair values of identifiable assets acquired and liabilities assumed. As a result of the fair value exercise, increases in the values of the BHP Billiton Plc Group's inventory, investments, long-term contracts and long-term debt were recognised and fair market values attributed to their other tangible assets mainly property, plant and equipment and undeveloped properties, together with appropriate deferred taxation effects. The difference between the cost of acquisition and the fair value of the assets and liabilities of the BHP Billiton Plc Group has been recorded as goodwill. Fair value adjustments to the recorded amount of inventory and long-term contracts are expensed in the period the inventory is utilised and the long-term contracts are delivered into, and additional amortisation and depreciation are recorded in respect of the fair value adjustments of intangible and tangible assets and until 30 June 2002, the resulting goodwill over the periods of their respective useful economic lives. With effect from 1 July 2002, goodwill is no longer amortised and is tested for impairment on an annual basis (refer to 'Goodwill and other intangible assets' below).

The adjustments to the assets and liabilities of the BHP Billiton Plc Group to reflect the fair values and allocation of the excess purchase consideration over the fair value of net assets acquired, based on management's best estimates of fair value, are summarised in the shareholders' equity reconciliation and are discussed below:

(i) The increase in fair value of inventory was determined based on the difference between the carrying value and the market value of these assets.

(ii) The increase in investments relates to increases to the BHP Billiton Plc Group's equity investments. These equity investments have been measured at fair value and any excess of the fair value over the underlying tangible assets and liabilities has been attributed to mineral reserves within the underlying investments. These uplifts to mineral properties are being amortised over their estimated useful lives on a unit of production and, on an investment-by-investment basis. The estimated useful lives are not expected to exceed 30 years.

(iii) The increase in property, plant and equipment relates to increases in the carrying value of the BHP Billiton Plc Group's property, plant and equipment to their estimated fair value. The increase in carrying value of the property, plant and equipment is to be amortised over the estimated useful life of the property, plant and equipment, primarily on a unit of production basis. The estimated useful lives range between one year and 33 years. During December 1998, the BHP Billiton Plc Group acquired certain assets from the BHP Billiton Limited Group. The BHP Billiton Plc Group recognised certain fair value adjustments as a result of this acquisition, which are being amortised over their useful lives. As a result of the application of merger accounting under UK GAAP, the fair value adjustments are reversed. For US GAAP these fair value adjustments are reinstated.

(iv) The amount of total consideration allocated to the BHP Billiton Plc Group's developed and undeveloped properties has been estimated by the BHP Billiton Group management using current estimates of the status and prospects of the BHP Billiton Plc Group's developed and undeveloped property portfolio as contained in the BHP Billiton Plc Group's strategic plans. The undeveloped properties include only those identified properties where management believes reasonable

Notes to Financial Statements continued

estimates of projected cash flows can be prepared and proven and probable reserves exist. The value allocated to the developed and undeveloped properties was determined utilising a risk-adjusted income approach that included earnings discounted by the appropriate cost of capital for the investment. Estimates of future cash flows related to individual developed and undeveloped properties were based on existing estimates of revenues and contribution margin for the project. The increase in developed properties is being amortised over their estimated exploitable useful lives on a project-by-project basis. Amortisation for each project is deferred until such time as production commences.

(v) The long-term contracts were attributed a fair value.

(vi) Goodwill represents the remainder of unallocated purchase consideration. With effect from 1 July 2002, amortisation of goodwill ceased on application of Statement of Financial Accounting Standard No. 142 'Goodwill and Other Intangible Assets' and is now subject to periodic impairment tests.

(vii) The decrease in long-term debt was as a result of attributing a fair value to fixed interest rate long-term loans which were not recorded at fair value in the BHP Billiton Plc Group's financial statements.

(viii) Deferred taxes have been computed on the differences between fair value and book value, other than for goodwill, using the applicable statutory tax rates.

Fair value assessments of the assets and liabilities of the BHP Billiton Plc Group were undertaken through the quantification of the purchase price and the preliminary allocation of this to individual businesses and to the underlying assets and liabilities of the individual businesses.

The final fair values of assets and liabilities are shown in the table below.

	Final US$M
Balance Sheet at 30 June 2001	
Current assets	
Cash assets	687
Receivables	883
Inventories	1 022
Other financial assets	132
Non-current assets	
Property, plant and equipment	11 567
Intangibles	3 307
Other financial assets	2 929
Current liabilities	
Payables	1 048
Interest bearing liabilities	1 300
Other provisions	221
Non-current liabilities	
Interest bearing liabilities	3 329
Tax liabilities	2 129
Other provisions	634
Equity minority interests	337
Net assets	11 529
Shareholders' equity	
Shareholders' equity	11 529

(C) BHP Steel demerger

Under UK GAAP, the BHP Steel demerger was recorded as two components in the year ended 30 June 2003 – a distribution to BHP Billiton Limited shareholders of 94 per cent of BHP Steel shares (accounted for as a capital reduction) and a sale of 6 per cent of BHP Steel shares (accounted for as a sale of assets).

Under US GAAP, the BHP Steel demerger is classified as a non pro-rata distribution to shareholders and is required to be accounted for as a

100 per cent sale of assets. The implied consideration for the sale of the additional 94 per cent of BHP Steel shares is based on the market price of BHP Steel shares used in determining the bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders. The remaining 6 per cent is measured at the respective sale price. The implied consideration, when compared to the book value of the BHP Steel net assets to be demerged, indicates a shortfall, which was recognised in the result for the period ended 30 June 2002 for US GAAP. The calculation of the book value of the BHP Steel net assets to be demerged includes US GAAP net asset adjustments attributable to BHP Steel. Costs associated with completion of the demerger of BHP Steel Limited have been recognised directly in equity for UK GAAP but were charged as expenses for US GAAP in the year ended 30 June 2002.

The adjustment to net income for the year ended 30 June 2003 primarily represents the loss on sale of the 6 per cent holding included in the year ended 30 June 2003 for UK GAAP, which was recorded in net income in the year ended 30 June 2002 for US GAAP purposes.

(D) Employee compensation costs

Under UK GAAP, the expected cost of awards is measured as the difference between the award exercise price and the market price of ordinary shares at the grant date, and is amortised over the vesting period. Under US GAAP, for the years ended 30 June 2002 and 2001, the Group accounted for employee ownership plans under the recognition and measurement provisions of APB Opinion No. 25 'Accounting for Stock Issued to Employees', and related Interpretations. In 2003, the Group adopted

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the fair value recognition provisions of Statement of Financial Accounting Standard No. 123, 'Accounting for Stock-Based Compensation' (SFAS 123). As permitted by the modified prospective method of Statement of Financial Accounting Standard 148, 'Accounting for Stock-Based Compensation Transition and Disclosure', the compensation cost recognised in 2003 is measured as if the recognition provisions of SFAS 123 had been applied to all awards granted, modified, or settled after 1 July 1995. Prior periods have not been restated. The transition to SFAS 123 resulted in a debit to equity of US$1 million at 1 July 2002 for awards that were unvested, or in the case of certain variable awards unexercised as of 1 July 2002, to reflect the recognition provisions of SFAS 123.

Fair value is determined using a Black-Scholes option-pricing model. Refer to note 23 'Employee share ownership plans' for significant assumptions used in applying this option-pricing model to calculate the employee compensation expense under SFAS 123.

The variations in deemed vesting periods under UK and US accounting principles have resulted in further differences, and for US GAAP purposes all amounts provided are recognised as additional paid in capital.

(E) Write-down of assets

Under UK GAAP, the BHP Billiton Group determines the recoverable amount of property, plant and equipment on a discounted cash flow basis when assessing impairments. The discount rate is a risk-adjusted market rate, which is applied both to determine impairment and to calculate the write-down. Under US GAAP, where an asset is reviewed for impairment, an impairment test is required utilising undiscounted cash flows. If the asset's carrying value exceeds the sum of undiscounted future cash flows, the asset is considered impaired and it is written down to its fair value (based on discounted cash flows). These differences create adjustments to the profit and loss account representing the lower charge to profit and resultant higher asset values for the write-downs determined under US GAAP. In subsequent financial periods, the difference in asset carrying values is reduced through the inclusion of additional depreciation charges in the profit and loss account.

(F) Depreciation – revaluations

Under UK GAAP, revaluations of property, plant and equipment and investments have resulted in upward adjustments to the historical cost values reflected in a revaluation reserve, which is part of total equity. In the case of property, plant and equipment, the depreciation charged against income increases as a direct result of such a revaluation. Since US GAAP does not permit property, plant and equipment to be valued at above historical cost, the depreciation charge has been restated to reflect historical cost depreciation.

(G) Depreciation – reserves

The BHP Billiton Group prepares mineral reserve statements based on the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the JORC Code). These reserve statements differ in certain respects from those reported to the SEC, which are prepared with reference to the SEC's Industry Guide 7. This adjustment reflects the impact on depreciation of the difference in reserves measurement basis.

(H) Restructuring and employee provisions

The UK GAAP accounts include provisions for redundancies associated with organisational restructuring that can be recognised where positions have been identified as being surplus to requirements, provided the circumstances are such that a constructive liability exists. Under US GAAP, a provision for redundancies involving voluntary severance offers is restricted to employees who have accepted these offers. The adjustment is reversed over subsequent periods as the offers are accepted.

(I) Fair value accounting for derivatives

Under UK GAAP, when undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both matured and unmatured transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of a transaction will be included in the profit and loss account whether or not such derivative is terminated. When a hedge is terminated, the deferred gain or loss that arose prior to termination is:

(a) Deferred and included in the measurement of the anticipated transaction when it occurs; or

(b) Included in the profit and loss account where the anticipated transaction is no longer expected to occur.

The premiums paid on interest rate options and foreign currency put and call options are included in other assets and are deferred and included in the settlement of the underlying transaction. When undertaking strategic or opportunistic financial transactions, all gains and losses are included in the profit and loss account at the end of each reporting period. The premiums paid on strategic financial transactions are included in the profit and loss account at the inception of the contract.

For the purpose of deriving US GAAP information, Statement of Financial Accounting Standards No. 133 'Accounting for Derivative Instruments and Hedging Activities' (SFAS 133) requires that each derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. On initial application of this standard the BHP Billiton Limited Group recognised an accumulated loss of US$268 million in respect of the fair value of derivative instruments held on 1 July 2000, which qualified as cash flow hedge transactions. This amount was reported as a component of other comprehensive income. An accumulated gain of US$11 million was recognised in respect of the fair value of derivative instruments which qualified as fair value hedge transactions, offset by a corresponding loss on their associated hedged liabilities held at 1 July 2000.

In the year ended 30 June 2001, subsequent gains and losses on cash flow hedges were taken to other comprehensive income and reclassified to profit and loss in the same period the hedged transaction was recognised. Gains and losses on fair value hedges continue to be taken to profit and loss in subsequent periods, as are offsetting gains and losses on hedged

Notes to Financial Statements continued

liabilities. In both cases, these gains and losses are not recognised under UK GAAP until the hedged transaction is recognised.

Effective 1 July 2001, for US GAAP purposes, the BHP Billiton Limited Group de-designated existing derivative instruments as hedges of underlying transactions. Amounts previously included in other comprehensive income in relation to those derivative instruments previously designated as cash flow hedges will remain until the transactions originally being hedged are recognised, at which time the amounts will be taken to the profit and loss account. Movements in the fair value of derivative instruments since 30 June 2001 are taken to the profit and loss account.

The BHP Billiton Plc Group does not apply hedging principles in accordance with SFAS 133 and marks to market all derivative instruments, taking movements in the fair value of derivative instruments to the profit and loss account.

(J) Synthetic debt

An operating subsidiary, whose functional currency is the US dollar, has obtained financing in various foreign currencies. The operating subsidiary entered into forward exchange contracts to fix the exchange rate between the SA rand and the various foreign currencies. In the UK GAAP accounts, the arrangement is treated as a synthetic SA rand debt, which at each period end is retranslated into US dollars at the spot rate with the exchange gain or loss that is recognised being included in the profit and loss account.

Under US GAAP, synthetic debt accounting is not permitted. As a result, the foreign currency loan amounts and forward exchange contracts are accounted for separately. Foreign currency loans are initially recorded at the exchange rate in effect on the date of the borrowing, with gains and losses arising from currency movements taken to the profit and loss account. The forward exchange contracts are marked to market annually with the resulting gain or loss also taken to the profit and loss account.

(K) Realised net exchange gains on sale of assets/closure of operations

Under UK GAAP, net exchange gains or losses reported in shareholders’ equity, which relate to assets that have been sold, closed or written down are transferred to retained earnings. US GAAP requires these net exchange gains or losses be recognised in the profit and loss account reflecting that they have, in substance, been realised.

(L) Exploration, evaluation and development expenditures

The BHP Billiton Group follows the ‘successful efforts’ method under UK GAAP in accounting for petroleum exploration, evaluation and development expenditures. This method differs from the ‘successful efforts’ method followed by some US companies, and adopted in this reconciliation to US GAAP, in that it permits certain exploration costs in defined areas of interest to be capitalised. Such expenditure capitalised by the BHP Billiton Group is amortised in subsequent years. In respect of Minerals properties, the BHP Billiton Group capitalises exploration and evaluation expenditure where it is expected that the expenditure will be recouped by future exploitation or sale or where a mineral resource has been identified but activities have not reached a stage, which permits a reasonable assessment of the existence of commercially recoverable reserves. Under US GAAP, a final feasibility study indicating the existence of commercially recoverable reserves at new exploratory ‘greenfield’ properties serves as the trigger point for capitalisation. US GAAP permits expenditure to be capitalised for the purposes of extending or further delineating existing reserves. In subsequent financial periods, amortisation or write-offs of expenditure previously capitalised under UK GAAP, which would have been expensed for US GAAP purposes, will be added back when determining the profit result according to US GAAP.

(M) Start-up costs

The BHP Billiton Group capitalises as part of property, plant and equipment, costs associated with start-up activities at new plants or operations which are incurred prior to commissioning date. These capitalised costs are depreciated in subsequent years. Under US GAAP, costs of start-up activities should be expensed as incurred.

(N) Profit on asset sales

Under US GAAP, profits arising from the sale of assets cannot be recognised in the period in which the sale occurs where the vendor has a significant continuing association with the purchaser. In such circumstances, any profit arising from a sale is recognised over the life of the continuing arrangements.

(O) Pension plans

Under UK GAAP, the net periodic pension cost assessed on an actuarial basis is charged to profit and loss so as to allocate the costs systematically over the employees’ service lives. Under UK GAAP, this policy has been adopted for all periods presented.

Consequently, the BHP Billiton Group recognises periodic pension cost based on actuarial advice in a manner generally consistent with US GAAP. However, differences in the actuarial method used to value employee benefit obligations and the timing of recognition of expense components results in different periodic costs and pension assets or liabilities.

Further, under US GAAP, where the accumulated benefit obligation of the pension plan exceeds the fair value of plan assets, an intangible asset (not exceeding the value of the unrecognised prior service cost) and additional pension liability is recognised. If the additional pension liability exceeds the unrecognised prior service cost, the excess (adjusted for the effect of income tax) is recorded as part of other comprehensive income.

(P) Other post-retirement benefits

In the UK GAAP accounts, post-retirement benefits other than pensions have been accounted for in accordance with the provisions of Statement of Standard Accounting Practice 24 ‘Accounting for Pension Costs’ (SSAP 24), which are generally consistent with the provisions of Statement of Financial Accounting Standards No. 106 ‘Employers’ Accounting for Post Retirement Benefits Other Than Pensions’ (SFAS 106) for the purposes of US GAAP except for certain scenarios such as in accounting for plan amendments.

Notes to Financial Statements continued

Under UK GAAP, amendments to post-retirement benefits provided are taken into account from the date upon which plan amendments are announced. Under US GAAP, plan amendments are only taken into account from the date upon which the plan amendments become effective.

(Q) Mozal expansion rights

In June 2001, (prior to the DLC merger) BHP Billiton announced an agreement to sell-down a portion of its preferential rights in the Mozal Phase II project to two of its project partners. In the year ended 30 June 2001, under UK GAAP, the consideration was recognised as revenue. A portion of the consideration will be paid in cash and another portion will be delivered to the BHP Billiton Group via a marketing arrangement once production has commenced. This deferred portion will be amortised to the profit and loss account over the period of the sales contract. Under US GAAP, the consideration paid in cash will be recognised as profit from asset sales when received and the marketing arrangement portion is considered a derivative and has been recognised on the balance sheet and marked to market with movements in fair value being taken to the profit and loss account. This portion is included in the adjustment ‘Fair value accounting for derivatives’.

(R) Goodwill

Under UK GAAP, the BHP Billiton Group amortises goodwill over a period not exceeding 20 years. Under US GAAP, Statement of Financial Accounting Standards No. 142 ‘Goodwill and Other Intangible Assets’ (SFAS 142), which became effective from 1 July 2002, replaces the requirement to amortise goodwill with annual impairment testing. The current period adjustment reflects the goodwill amortisation charge under UK GAAP, which is reversed for US GAAP.

(S) Employee Share Plan loans

Under the Employee Share Plan, loans have been made to employees for the purchase of shares in BHP Billiton Limited. Under US GAAP, the amount outstanding as an obligation to the BHP Billiton Limited Group, which has financed equity, is required to be eliminated from total shareholders’ equity. In addition, any foreign exchange gains or losses on the outstanding loan balances are required to be eliminated from net income.

(T) Purchase business combination costs

Costs incurred in relation to the DLC merger that were expensed under UK GAAP represent costs of acquisition that were debited against paid in capital under US GAAP.

(U) Expenses on spin-off of OneSteel

During the year ended 30 June 2001, the costs associated with completion of the spin-off of OneSteel were recognised directly in equity for UK GAAP but were charged as expenses for US GAAP. This is reflected as an adjustment from paid in capital to retained profits.

(V) Restoration and rehabilitation costs

As of 1 July 2000, the Group recognises the future cost to retire tangible long-lived assets from service over the estimated useful life of asset in accordance with the provisions of Statement of Financial Accounting Standards No. 143 ‘Accounting for Asset Retirement Obligations’ (SFAS 143). SFAS 143 excludes from its scope temporarily idled assets and environmental remediation liabilities which are accounted for under SFAS 5 and SOP 96-1, where applicable.

Under SFAS 143, a liability for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset is recorded at the time the liability is incurred – generally when the asset is acquired, constructed or developed, and which may occur progressively over the life of a mine. The Group amortises the amount added to property and equipment and recognises accretion expense in connection with the discounted liability. The estimated liability is based on historical experience in retiring assets from service, the estimated useful lives of the assets, estimates as to the cost to dismantle, remove, sell, recycle, abandon or otherwise retire the asset and rehabilitate the site in the future and federal and state regulatory requirements. The liability is a discounted liability using a credit-adjusted risk-free rate of approximately 6 per cent. Revisions to the liability could occur due to changes in asset removal costs, useful lives or if federal or state regulators enact new guidance on the removal of such assets.

The requirements of SFAS 143 are similar to the Group’s policy under UK GAAP and result in no material differences to be quantified in the reconciliation to US GAAP net income. However, there are certain technical differences between UK GAAP and SFAS 143. For example, accretion expense is classified as an operating item under SFAS 143 whereas it is classified at interest under UK GAAP. In addition, SFAS 143 measures the liability based on the discount rate when the liability is incurred, whereas UK GAAP generally re-measures the liability using a current discount rate. As such, differences may arise in the future that need to be quantified.

In fiscal 2001, the reconciliation effectively reports the adoption of SFAS 143, under which the BHP Billiton Limited Group (as predecessor) recorded a discounted liability of US$439 million, de-recognised the previously recorded liability of US$390 million, increased net property and equipment by US$152 million, charged US$53 million to increase the provision for resources rent tax and recognised a one-time cumulative effect credit of US$28 million (US$50 million before deferred tax expense of US$22 million). The effect of the change in fiscal 2001 was to increase net income by US$28 million or US 1 cent per share.

(W) Consolidation of Tubemakers of Australia Ltd (TOA)

Prior to consolidation, TOA was accounted for as an associated entity and included in the equity accounting calculations. Under US GAAP, equity accounting is included in the consolidated results, while prior to the year ended 30 June 1999 only disclosure by way of note to the accounts was permitted. Thus the carrying value of the original equity interest in TOA was higher under US GAAP, and this was reflected in higher goodwill capitalised and amortised in accordance with US GAAP. The spin-off of OneSteel Limited eliminated this reconciling item.

(X) Other taxation adjustments

Notes to Financial Statements continued

UK GAAP requires tax liabilities and assets to be measured at the amounts expected to apply using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. US GAAP requires the measurement of tax liabilities and assets using tax rates based on enacted tax law. The effect of a change in the UK corporate tax rate for petroleum companies was recognised in June 2002 for UK GAAP on the basis that the legislation was substantively enacted. This tax rate change was not recognised for US GAAP purposes until the legislation was enacted. The positive reconciling item of US$61 million in the year ended 30 June 2002 was reversed during the year ended 30 June 2003 when the tax rate change was enacted.

For UK GAAP, potential tax expense of US$193 million has not been recognised in the year ended 30 June 2003, mainly relating to the tax impact of unrealised foreign exchange gains or losses on US dollar net debt held by subsidiaries, which retain local currency records for tax purposes. For US GAAP, a tax expense is recognised reflecting the existence of the foreign exchange gains or losses in the accounts of the respective entity. The cumulative effect of this adjustment at 30 June 2003 is a credit to tax liabilities of US$240 million (2002: US$47 million).

(Y) Investments

As part of its exploration strategy, the Group makes use of junior exploration companies (junior) to leverage its exploration spend. This generally involves the Group receiving shares in the junior and an option to enter into a joint venture over specific properties the junior is exploring, in exchange for the Group contributing cash, exploration properties or other interests to the junior. Usually there is an agreement for the cash to be spent only on exploration of the specified properties. Under UK GAAP, cash contributions (which usually take the form of subscription for shares in the junior) are expensed as exploration costs and no gain is recorded when properties are contributed to the joint venture. The US GAAP treatment is similar to UK GAAP except that investments in juniors with publicly traded shares are carried at their fair value, as available for sale securities, with unrealised changes in value recorded in other comprehensive income until realised or an other-than-temporary impairment occurs.

(Z) Secondary share issuance

During September 2000, BHP Billiton Plc undertook a secondary issuance of shares on the London Stock Exchange. The shares were issued in pounds sterling, however to fix the proceeds received on the share issuance in US dollars, BHP Billiton Plc utilised a number of hedging instruments to lock in the exchange rate between pounds sterling and US dollars. This hedging activity gave rise to a loss being realised due to movement in the pound sterling against the US dollar. BHP Billiton Plc reported this loss as an offset against the share proceeds, which was then credited to paid in capital.

Under US GAAP, the loss would not qualify as a hedged item under SFAS 133. As such, the loss is recognised in the profit and loss in the period the loss was realised. This is reflected as an adjustment from paid in capital to retained profits.

Employee compensation costs

For the years ended 30 June 2002 and 2001, the BHP Billiton Group applied the principles of APB 25 in the determination of employee compensation costs arising from the various employee ownership plans under US GAAP. Had the fair value basis of accounting in SFAS 123 been used to account for compensation costs for those prior periods, the following net income and earnings per share amounts would have been reported:

	2003 US$M	2002 US$M	2001 US$M
Net income			
As reported	**1 581**	1 249	882
Add: Stock based compensation expense/(benefit) recorded in net income	**29**	(15)	117
Deduct: Expense calculated in accordance with SFAS 123	**(29)**	(10)	(102)
Pro-forma net income	**1 581**	1 224	897
Basic earnings per share (a)			
As reported	**0.25**	0.21	0.24
Pro-forma	**0.25**	0.20	0.24
Diluted earnings per share (b)			
As reported	**0.25**	0.21	0.24
Pro-forma	**0.25**	0.20	0.24

(a) Based on net profit attributable to members of BHP Billiton Group under US GAAP.
(b) Refer note 12 ‘Earnings per share’.

Notes to Financial Statements continued

Goodwill and other intangible assets

The BHP Billiton Group has adopted Statement of Financial Accounting Standards No. 142 'Goodwill and Other Intangible Assets' (SFAS 142) effective 1 July 2002. In accordance with SFAS 142, the BHP Billiton Group ceased to amortise goodwill and instead adopted a policy whereby goodwill is tested for impairment on an annual basis by each reporting unit, or on a more regular basis should circumstances dictate. The Group completed its initial review of goodwill impairment as at 1 July 2002, in accordance with the transitional rules of SFAS 142, and determined at that date that there was no impairment of goodwill indicated. Notwithstanding this, the Group expects that the allocation of goodwill to reporting units that are fundamentally based on depleting reserves of minerals and finite lived assets will lead to regular impairments of goodwill. Such impairments will result in charges to income. The Group, in accordance with the provisions of SFAS 142, will be conducting annual impairment reviews. These are scheduled for completion in the fourth quarter of each year. The 2003 review was completed on 30 June 2003.

As required by SFAS 142, the balance of goodwill resulting from the application of SFAS 142 by Customer Sector Group is:

	As at 30 June 2003(a) US$M	As at 1 July 2002 US$M
Aluminium	**1 426**	1 426
Base Metals	**594**	597
Carbon Steel Materials	**285**	285
Diamonds and Specialty Products	**154**	154
Energy Coal	**384**	384
Stainless Steel Materials	**343**	343
	3 186	3 189

(a) Movement in the carrying value of goodwill during the year ended 30 June 2003 related to the sale of an investment in an associate.

The following table summarises, in respect of amortisation impacts, the effects of SFAS 142 on net income had it been applied retroactively to 2002 and 2001:

	2002 US$M	2001 US$M
Net income of the BHP Billiton Group for the purposes of US GAAP	1 249	882
add back: Goodwill amortisation	133	3
Adjusted net income of the BHP Billiton Group for the purposes of US GAAP	1 382	885
Earnings per share – US GAAP (a)(b) (US cents)		
Basic		
as reported	0.21	0.24
goodwill amortisation (c)	0.02	–
adjusted	0.23	0.24
Diluted		
as reported	0.21	0.24
goodwill amortisation (c)	0.02	–
adjusted	0.23	0.24

(a) Based on the weighted average number of shares on issue for the period.

(b) For the period indicated, each American Depositary Share (ADS) represents two ordinary shares. Therefore the earnings per ADS under US GAAP is a multiple of two from the above earnings per share disclosure.

(c) All goodwill amortisation is attributable to Continuing Operations.

The following table summarises other intangible assets of the BHP Billiton Group at as 30 June 2003 and 30 June 2002.

	2003 US$M	2002 US$M
Pension asset	**19**	–
Other intangible assets		
Long-term customer contracts at gross book value	**40**	40
deduct amounts amortised (a)(b)	**3**	1
	56	39

(a) Gross amortisation expense for other intangible assets for the year ended 30 June 2003 was US$1.3 million.

(b) Estimated gross amortisation expense for other intangible assets for the next five financial years is US$1.3 million per annum.

Notes to Financial Statements continued

Impact of new US accounting standards

In April 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 149 'Amendment of Statement 133 on Derivative Instruments and Hedging Activities' (SFAS 149). SFAS 149 amends SFAS 133 for certain decisions made by the FASB as part of the Derivative Implementation Group process and to clarify the definition of a derivative and the normal purchases and normal sales exception. Except for certain provisions of SFAS 149 discussed below, SFAS 149 is effective for contracts entered into or modified after 30 June 2003, and for hedging relationships designated after 30 June 2003. The provisions of SFAS 149 relating to decisions cleared by the FASB as part of the Derivative Implementation Group process shall continue to be applied in accordance with their respective effective dates. The Group has not evaluated the potential impact of this new standard on its future financial performance or financial position.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 'Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity' (SFAS 150). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that the following types of freestanding financial instruments be reported as liabilities:

(a) mandatory redeemable shares;

(b) instruments other than shares that could require the issuer to buy back some of its shares in exchange for cash or other assets; and

(c) obligations that can be settled with shares, the monetary value of which is either:

  (i) fixed,

  (ii) tied to the value of a variable other than the issuer's shares, or

  (iii) varies inversely with the value of the issuer's shares.

Measurement of these liabilities generally is to be at fair value, with the payment of dividends to be reported as interest cost. SFAS 150 applies to the first financial period beginning after 15 June 2003. The Group has not evaluated the potential impact of this new standard on its future financial performance or financial position.

In January 2003, the FASB issued FASB Interpretation No. 46, 'Consolidation of Variable Interest Entities' (FIN 46). The objective of FIN 46 is to improve financial reporting by companies involved with variable interest entities. A variable interest entity is a corporation, partnership, trust or any other legal structure used to conduct activities or hold assets in which either:

(a) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or

(b) the equity investors lack:

  (i) the ability to make decisions about the entity's activities,

  (ii) the obligation to absorb the losses of the entity if they occur,

  (iii) the right to receive the expected residual returns of the entity if they occur.

Historically, entities generally were not consolidated unless the entity was controlled through voting interests.

FIN 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest.

The requirements of FIN 46 apply immediately to variable interest entities created after 31 January 2003. The requirements of FIN 46 apply in the first fiscal year or interim period beginning after 15 June 2003 to entities in which an enterprise holds a variable interest that it acquired before 1 February 2003.

There have been no variable interest entities created after 31 January 2003 in which the Group has an interest. The Group is currently reviewing its interests in other entities, including joint arrangements, joint ventures and associates, to determine whether they represent variable interest entities for the purpose of FIN 46. The Group already records its share of net income of these entities and, for joint arrangements, a proportionate share of their assets and liabilities. It is reasonably possible that certain of these arrangements may be variable interest entities, however, the Group has not determined whether the adoption of FIN 46 will have a material effect on its financial position.

Notes to Financial Statements continued

Pensions and post-retirement benefit plans

The BHP Billiton Group's pension and other post-retirement benefit plans are discussed in note 27. The disclosures below include the additional information required by Statement of Financial Accounting Standards No. 132 'Employers' Disclosures about Pensions and Other Post retirement Benefits' (SFAS 132). The pension costs of the BHP Billiton Group's significant defined benefit plans have been restated in the following tables in accordance with US GAAP.

The disclosures for 2003 and 2002 are provided in relation to the employees of the BHP Billiton Group. For 2001 the income statement disclosures are provided in relation to the employees of the BHP Billiton Limited Group only and the balance sheet disclosures are provided on a combined basis in relation to the employees of the BHP Billiton Limited Group and the BHP Billiton Plc Group.

	2003 US$M	2002 US$M	2001 US$M
The net periodic pension cost for the significant defined benefit pension plans comprised:			
Service costs	**43**	67	63
Interest costs	**64**	85	77
Expected return on plan assets	**(71)**	(105)	(108)
Amortisation of prior service cost	**3**	1	2
Amortisation of net transition asset	**(3)**	(12)	(12)
Termination benefits and curtailment costs	**12**	1	(2)
Recognised net actuarial loss/(gain)	**9**	1	(8)
Net periodic pension cost under US GAAP	**57**	38	12

	2003 %pa	2002 %pa	2001 %pa
The major weighted average assumptions used in computing the above pension cost/income were:			
Rates of future pay increases	**3.8**	3.4	3.6
Discount rate	**5.3**	6.2	6.4
Expected long-term rates of return on plan assets	**7.3**	8.0	8.1

	2003 US$M	2002 US$M
Change in benefit obligation		
Projected benefit obligation at the beginning of the year	**1 387**	1 468
Amendments	**–**	1
Service costs	**43**	67
Interest costs	**64**	85
Plan participants' contributions	**15**	9
Actuarial loss	**68**	18
Benefits paid	**(391)**	(218)
Demerger or disposal of subsidiaries	**(96)**	–
Subsidiary schemes transferred to joint venture	**(3)**	(110)
Termination benefits and curtailment costs	**2**	(2)
Exchange variations	**102**	69
Projected benefit obligation at the end of the year	**1 191**	1 387
Projected benefit obligation at the end of the year for plans with accumulated benefit obligations in excess of plan assets	**999**	599
Accumulated benefit obligation at the end of the year for plans with accumulated benefit obligations in excess of plan assets	**908**	520

	2003 US$M	2002 US$M
Change in plan assets		
Fair value of plan assets at the beginning of the year	**1 211**	1 483
Actual return on plan assets	**6**	(54)
Employer contribution	**38**	68
Plan participants' contributions	**15**	9
Benefits paid	**(391)**	(218)
Termination benefits and curtailment costs	**–**	(2)
Demerger or disposal of subsidiaries	**(58)**	–
Subsidiary schemes transferred to joint ventures and other adjustments	**(4)**	(113)
Exchange variations	**95**	38
Fair value of plan assets at the end of the year	**912**	1 211
Fair value of plan assets at the end of the year for plans with accumulated benefit obligations in excess of plan assets	**669**	418

Plan assets consist primarily of bonds and equities. Further details are given in note 27.

Notes to Financial Statements continued

	2003 US$M	2002 US$M
Funded status		
Funded status	**(279)**	(176)
Unrecognised net actuarial loss	**346**	270
Unrecognised prior service cost	**19**	7
Unrecognised net transition asset	**(5)**	(8)
Net amount recognised	**81**	93

	2003 US$M	2002 US$M
Analysis of net amount recognised		
Prepaid benefit obligation	**47**	150
(Accumulated) benefit obligation	**(213)**	(138)
Intangible asset	**19**	7
Accumulated other comprehensive income	**228**	74
Net amount recognised	**81**	93

Post-retirement medical benefits

	2003 US$M	2002 US$M	2001 US$M
Net medical cost			
Service cost	**6**	3	1
Interest cost	**21**	17	8
Recognised actuarial loss	**–**	1	1
Termination benefits and curtailment costs	**–**	(5)	–
Amortisation of prior service credit	**–**	(1)	–
Net medical cost	**27**	15	10

	2003 % pa	2002 % pa	2001 % pa
The major weighted average assumptions used in calculating the net medical cost were:			
Rate of future medical inflation	**7.9**	6.1	6.1
Discount rate	**8.0**	8.4	8.9

Notes to Financial Statements continued

The rate of future medical inflation rate reflects the fact that the benefits of certain groups of participants are capped.

	2003 US$M	2002 US$M
Change in accumulated post-retirement benefit obligation		
Accumulated post-retirement benefit obligation at the beginning of the year	**220**	281
Amendments	**13**	(19)
Service costs	**6**	3
Interest costs	**21**	17
Actuarial loss	**43**	9
Benefits paid	**(18)**	(13)
Subsidiary schemes transferred to joint ventures	**(1)**	(30)
Curtailments	**–**	(8)
Exchange variations	**31**	(20)
Accumulated post-retirement benefit obligation at the end of the year	**315**	220
Change in plan assets		
Fair value of plan assets at the beginning of the year	**–**	–
Employer contributions	**18**	13
Benefits paid	**(18)**	(13)
Fair value of plan assets at end of year	**–**	–
Funded status		
Funded status	**(315)**	(220)
Unrecognised net actuarial loss	**66**	16
Unrecognised prior service cost	**(10)**	(18)
Accrued post-retirement medical cost	**(259)**	(222)

	1% decrease US$M	1% increase US$M
The impact of a 1% variation in the rate of future medical inflation on the 2003 results would be:		
Effect on total service and interest cost	(3)	4
Effect on accumulated post-retirement benefit obligation	(26)	31

Notes to Financial Statements continued

34 Supplementary oil and gas information (unaudited)

Reserves and production

The table below details our oil, condensate, LPG and gas reserves, estimated at 30 June 2003, 30 June 2002 and 30 June 2001 with a reconciliation of the changes in each year. Our reserves have been calculated using the economic interest method and represent our net interest volumes after deduction of applicable royalty, fuel and flare volumes. Our reserves have been subjected to economic tests to demonstrate their commerciality under prices and costs existing at the time of the estimates. Our reserves include quantities of oil, condensate and LPG which will be produced under several production and risk sharing arrangements that involve us in upstream risks and rewards but do not transfer ownership of the products to us. At 30 June 2003, approximately 19 per cent (2002: 17 per cent; 2001: 14 per cent) of proved developed and undeveloped oil, condensate and LPG reserves and nil (2002: nil; 2001: nil) of natural gas reserves are attributable to those arrangements. Our reserves also include volumes calculated by probabilistic aggregation of certain fields that share common infrastructure. These aggregation procedures result in enterprise-wide proved reserves volumes, which may not be realised upon divestment on an individual property basis.

(millions of barrels)	Australia/Asia	Americas	UK/Middle East	Total
Proved developed and undeveloped oil, condensate and LPG reserves (a)				
Reserves at 30 June 2000	438.3	28.6	90.1	557.0
Improved recovery	0.4	–	–	0.4
Revisions of previous estimates	5.3	0.5	0.5	6.3
Extensions and discoveries	4.4	67.6	74.1	146.1
Purchase/sales of reserves	(0.9)	3.8	(18.3)	(15.4)
Production (b)	(70.7)	(4.2)	(12.2)	(87.1)
Total changes	(61.5)	67.7	44.1	50.3
Reserves at 30 June 2001	376.8	96.3	134.2	607.3
Improved recovery	–	–	–	–
Revisions of previous estimates	12.1	3.2	(11.0)	4.3
Extensions and discoveries	3.4	70.2	–	73.6
Purchase/sales of reserves	–	–	–	–
Production (b)	(63.3)	(9.0)	(14.3)	(86.6)
Total changes	(47.8)	64.4	(25.3)	(8.7)
Reserves at 30 June 2002	329.0	160.7	108.9	598.6
Improved recovery	–	–	0.1	0.1
Revisions of previous estimates	52.2	(12.2)	12.2	52.2
Extensions and discoveries	0.5	10.1	3.9	14.5
Purchase/sales of reserves	–	–	–	–
Production (b)	(55.1)	(6.6)	(11.7)	(73.4)
Total changes	(2.4)	(8.7)	4.5	(6.6)
Reserves at 30 June 2003 (c)	326.6	152.0	113.4	592.0
Proved developed oil, condensate and LPG reserves (a)				
Reserves at 30 June 2000	334.2	11.3	46.3	391.8
Reserves at 30 June 2001	268.6	9.4	40.9	318.9
Reserves at 30 June 2002	233.1	15.9	30.2	279.2
Reserves at 30 June 2003	227.8	9.9	24.5	262.2

(a) In Bass Strait, the North West Shelf and the North Sea, LPG is extracted separately from crude oil and natural gas.
(b) Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved oil, condensate and LPG reserves include 20.9 million barrels derived from probabilistic aggregation procedures.

Notes to Financial Statements continued

(billions of cubic feet)	Australia/Asia (a)	Americas	UK/Middle East	Total
Proved developed and undeveloped natural gas reserves				
Reserves at 30 June 2000	4 142.9	142.4	705.0	4 990.3
Improved recovery	–	–	–	–
Revisions of previous estimates	72.8	(26.4)	(43.9)	2.5
Extensions and discoveries	32.9	38.5	–	71.4
Purchases/sales of reserves	–	6.1	–	6.1
Production (b)	(170.2)	(21.5)	(67.1)	(258.8)
Total changes	(64.5)	(3.3)	(111.0)	(178.8)
Reserves at 30 June 2001	4 078.4	139.1	594.0	4 811.5
Improved recovery	–	–	–	–
Revisions of previous estimates	3.9	2.7	(35.8)	(29.2)
Extensions and discoveries	605.9	37.3	–	643.2
Purchases/sales of reserves	–	–	–	–
Production (b)	(187.4)	(25.1)	(69.0)	(281.5)
Total changes	422.4	14.9	(104.8)	332.5
Reserves at 30 June 2002	4 500.8	154.0	489.2	5 144.0
Improved recovery	–	–	16.7	16.7
Revisions of previous estimates	404.1	4.9	(7.0)	402.0
Extensions and discoveries	188.9	10.2	–	199.1
Purchases/sales of reserves	–	–	–	–
Production (b)	(189.2)	(21.8)	(79.9)	(290.9)
Total changes	403.8	(6.7)	(70.2)	326.9
Reserves at 30 June 2003 (c)	4 904.6	147.3	419.0	5 470.9
Proved developed natural gas reserves				
Reserves at 30 June 2000	2 437.0	125.9	522.4	3 085.3
Reserves at 30 June 2001	2 303.2	84.6	550.2	2 938.0
Reserves at 30 June 2002	2 455.1	79.9	481.9	3 016.9
Reserves at 30 June 2003	2 560.4	64.8	397.1	3 022.3

(a) Production for Australia includes gas sold as LNG.
(b) Production for reserves differs slightly from marketable production due to timing of sales and corrections to previous estimates.
(c) Total proved natural gas reserves include 233.2 billion cubic feet derived from probabilistic aggregation procedures.

Notes to Financial Statements 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.

	2003 US$M	2002 US$M
Capitalised cost		
Unevaluated properties	**292**	234
Production properties	**8 502**	7 576
Total costs (a)(b)	**8 794**	7 810
less Accumulated depreciation, depletion and amortisation and impairments (a)(b)(c)	**(4 383)**	(3 944)
Net capitalised costs	**4 411**	3 866

(a) Includes US$286 million (2002: US$286 million) attributable to prior year revaluations of fixed assets above historical costs and related accumulated amortisation thereof of US$228 million (2002: US$222 million).

(b) Includes US$127 million (2002: US$125 million) attributable to capitalised exploration, evaluation and development expenditures, which would be expensed under US GAAP and related accumulated amortisation thereof of US$88 million (2002: US$87 million).

(c) Includes US$8 million (2002: US$nil) of exploration costs previously capitalised now written off, which would not have been written off under US GAAP.

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. Development costs were all expended to develop booked proved undeveloped reserves.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
2003				
Acquisitions of proved property	**–**	**–**	**–**	**–**
Acquisitions of unevaluated property	**–**	**18**	**–**	**18**
Exploration (a)	**41**	**155**	**28**	**224**
Development	**304**	**315**	**236**	**855**
Total costs (b)	**345**	**488**	**264**	**1 097**
2002				
Acquisitions of proved property	–	–	–	–
Acquisitions of unevaluated property	–	20	–	20
Exploration (a)	28	194	46	268
Development	236	186	289	711
Total costs (b)	264	400	335	999
2001				
Acquisitions of proved property	–	59	–	59
Acquisitions of unevaluated property	–	19	–	19
Exploration (a)	36	125	26	187
Development	114	110	177	401
Total costs (b)	150	313	203	666

(a) Represents gross exploration expenditure.

(b) Total cost includes US$943 million (2002: US$847 million; 2001: US$501 million) capitalised during the year.

Notes to Financial Statements continued

Results of operations from oil and gas producing activities

The following information is similar to the disclosures in note 4 '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 pre-tax 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 of production taxes. Revenues include sales to affiliates but amounts are not significant.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
2003				
Oil and gas sales	**2 131**	**289**	**541**	**2 961**
Production costs	**(297)**	**(50)**	**(86)**	**(433)**
Exploration expenses (a)	**(25)**	**(101)**	**(28)**	**(154)**
Depreciation, depletion and amortisation (a)	**(193)**	**(138)**	**(219)**	**(550)**
Production taxes	**(523)**	**(15)**	**(5)**	**(543)**
Other, net	**–**	**–**	**–**	**–**
	1 093	**(15)**	**203**	**1 281**
Income taxes	**(342)**	**9**	**(75)**	**(408)**
Results of oil and gas producing activities (c)	**751**	**(6)**	**128**	**873**
2002				
Oil and gas sales	1 888	262	538	2 688
Production costs	(204)	(37)	(80)	(321)
Exploration expenses (a)	(24)	(87)	(41)	(152)
Depreciation, depletion and amortisation (a)	(230)	(142)	(199)	(571)
Production taxes	(446)	(12)	(5)	(463)
Other, net	–	–	–	–
	984	(16)	213	1 181
Income taxes	(301)	12	(50)	(339)
Results of oil and gas producing activities (c)	683	(4)	163	842
2001				
Oil and gas sales	2 269	214	663	3 146
Production costs	(84)	(76)	(164)	(324)
Exploration expenses (a)	(32)	(106)	(27)	(165)
Depreciation, depletion and amortisation (a)	(269)	(65)	(187)	(521)
Production taxes	(745)	–	(4)	(749)
Other, net (b)	55	15	2	72
	1 194	(18)	283	1 459
Income taxes	(424)	34	(89)	(479)
Results of oil and gas producing activities (c)	770	16	194	980

(a) Exploration expenses exclude capitalised exploration, evaluation and development expenditures of US$2 million (2002: US$6 million; 2001: US$5 million) which would have been expensed under US GAAP. In a related manner, depreciation is higher in 2003 by US$1 million (2002: US$1 million; 2001: US$2 million) than that required under US GAAP. In addition, exploration expenses include US$8 million (2002: US$nil; 2001: US$nil) of expenditure previously capitalised now written off which would not have not been written off for US GAAP.

(b) Includes profit on sale of assets.

(c) Amounts shown exclude general corporate overheads 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 4. There are no equity minority interests.

Notes to Financial Statements continued

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

The purpose of this disclosure is to provide data with respect to the estimated future net cash flows from future production of proved developed and undeveloped reserves of crude oil, condensate, natural gas liquids and natural gas.

The Standardised measure is based on the BHP Billiton Group's estimated proved reserves, (as presented in the section 'Reserves') and this data should be read in conjunction with that disclosure, which is hereby incorporated by reference into this section. The Standardised Measure is prepared on a basis which presumes that year end economic and operating conditions will continue over the periods in which year end proved reserves would be produced. The effects of future inflation, future changes in exchange rates and expected future changes in technology, taxes and operating practices have not been included.

The Standardised measure is prepared by projecting the estimated future annual production of proved reserves owned at period end and pricing that future production at prices in effect at period end to derive future cash inflows. Future price increases may be considered only to the extent that they are provided by fixed contractual arrangements in effect at period end and are not dependent upon future inflation or exchange rate changes.

Future cash inflows are then reduced by future costs of producing and developing the period end proved reserves based on costs in effect at period end without regard to future inflation or changes in technology or operating practices. Future development costs include the costs of drilling and equipping development wells and construction of platforms and production facilities to gain access to proved reserves owned at period end. They also include future costs, net of residual salvage value, associated with the abandonment of wells, dismantling of production platforms and restoration of drilling sites. Future cash inflows are further reduced by future income taxes based on tax rates in effect at period end and after considering the future deductions and credits applicable to proved properties owned at period end. The resultant annual future net cash flows (after deductions of operating costs including resource rent taxes, development costs and income taxes) are discounted at 10 per cent per annum to derive the Standardised measure.

There are many important variables, assumptions and imprecisions inherent in developing the Standardised measure, the most important of which are the level of proved reserves and the rate of production thereof. The Standardised measure is not an estimate of the fair market value of the BHP Billiton Group's oil and gas reserves. An estimate of fair value would also take into account, among other things, the expected recovery of reserves in excess of proved reserves, anticipated future changes in prices, costs and exchange rates, anticipated future changes in secondary tax and income tax rates and alternative discount factors representing the time value of money and adjustments for risks inherent in producing oil and gas.

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
Standardised measure				
2003				
Future cash inflows	**21 689**	**4 992**	**4 107**	**30 788**
Future production costs	**(7 922)**	**(837)**	**(1 013)**	**(9 772)**
Future development costs (a)(b)	**(2 945)**	**(1 326)**	**(242)**	**(4 513)**
Future income taxes	**(3 143)**	**(865)**	**(620)**	**(4 628)**
Future net cash flows	**7 679**	**1 964**	**2 232**	**11 875**
Discount at 10% per annum	**(3 816)**	**(745)**	**(856)**	**(5 417)**
Standardised measure	**3 863**	**1 219**	**1 376**	**6 458**
2002				
Future cash inflows	19 439	4 489	4 020	27 948
Future production costs	(7 209)	(975)	(1 067)	(9 251)
Future development costs	(2 484)	(1 342)	(450)	(4 276)
Future income taxes	(2 909)	(695)	(620)	(4 224)
Future net cash flows	6 837	1 477	1 883	10 197
Discount at 10% per annum	(3 363)	(757)	(597)	(4 717)
Standardised measure	3 474	720	1 286	5 480
2001				
Future cash inflows	19 533	2 637	3 173	25 343
Future production costs	(6 174)	(750)	(954)	(7 878)
Future development costs	(2 586)	(649)	(220)	(3 455)
Future income taxes	(3 148)	(415)	(551)	(4 114)
Future net cash flows	7 625	823	1 448	9 896
Discount at 10% per annum	(3 792)	(293)	(402)	(4 487)
Standardised measure	3 833	530	1 046	5 409

(a) Total future dismantlement, abandonment and rehabilitation obligations at 30 June 2003 are estimated to be US$936 million and this amount has been included in the Standardised measure calculation.

(b) Future costs to develop our proved undeveloped reserves over the next three years are expected to be US$844 million (2004), US$619 million (2005) and US$372 million (2006).

Notes to Financial Statements continued

Changes in the Standardised measure are presented in the following table. The beginning of year and end of year totals are shown after reduction for income taxes and these, together with the changes in income tax amounts, are shown in discounted amounts (at 10 per cent per annum). All other items of change represent discounted amounts before consideration of income tax effects.

	2003 US$M	2002 US$M	2001 US$M
Changes in the Standardised measure			
Standardised measure – beginning of period	**5 480**	5 409	5 520
Revisions:			
Prices, net of production costs	**1 041**	342	(201)
Revisions of quantity estimates (a)	**971**	599	(27)
Accretion of discount	**789**	781	772
Changes in production timing and other (b)	**(1 020)**	(1 136)	427
	7 261	5 995	6 491
Sales of oil and gas, net of production costs	**(1 985)**	(1 941)	(2 096)
Acquisitions of reserves-in-place	**–**	–	70
Sales of reserves-in-place (c)	**–**	–	(24)
Development costs incurred which reduced previously estimated development costs	**855**	656	323
Extensions and discoveries, net of future costs	**577**	778	464
Changes in future income taxes	**(250)**	(8)	181
Standardised measure – end of period	**6 458**	5 480	5 409

(a) Changes in reserves quantities are shown in the notes to the Oil and Gas Reserves.
(b) Includes the effect of foreign exchange and changes in future development costs.
(c) Reflects the sale of Buffalo oil field in Northern Australia on 30 March 2001.

Notes to Financial Statements continued

Production

The table below details our Petroleum business' historical net crude oil and condensate, natural gas, LNG, LPG and ethane production by region for the two years ended 30 June 2003 and 30 June 2002. We have shown volumes and tonnages of marketable production, after deduction of applicable royalties, fuel and flare. We have included in the table average production costs per unit of production and average sales prices for oil and condensate and natural gas for each of those periods.

	2003	2002
Crude oil and condensate production (millions of barrels)		
Australia/Asia	**48.0**	56.2
Americas	**7.1**	9.0
Europe/Middle East	**10.8**	13.3
Total	**65.9**	78.5
Natural gas production (a) (billions of cubic feet)		
Australia/Asia	**126.4**	126.0
Americas	**20.6**	25.2
Europe/Middle East	**72.2**	72.7
Total	**219.2**	223.9
Liquefied natural gas (LNG) production (b) (thousand tonnes)		
Australia/Asia (leasehold production)	**1 349.0**	1 298.8
Liquefied petroleum gas (LPG) production (c) (thousand tonnes)		
Australia/Asia (leasehold production)	**644.2**	551.4
Europe/Middle East (leasehold production)	**98.9**	85.6
Total	**743.1**	637.0
Ethane production (thousand tonnes)		
Australia/Asia (leasehold production)	**94.9**	87.1
Average sales price		
Oil and condensate (US$ per barrel)	**28.14**	22.58
Natural gas (US$ per thousand cubic feet)	**2.21**	1.84
Average production cost (d)		
US$ per barrel of oil equivalent (including resource rent tax and other indirect taxes)	**8.01**	5.83
US$ per barrel of oil equivalent (excluding resource rent tax and other indirect taxes)	**3.55**	2.38

(a) Natural gas production figures exclude gas sold as LNG or ethane.

(b) LNG consists primarily of liquefied methane.

(c) LPG consists primarily of liquefied propane and butane.

(d) Average production costs include direct and indirect production costs relating to the production and transportation of hydrocarbons to the point of sale. This includes shipping where applicable. Average production costs have been shown including and excluding resource rent tax and other indirect taxes and duties. Average production costs also include the foreign exchange effect of translating local currency denominated costs and secondary taxes into US dollars

Notes to Financial Statements continued

35 Remuneration Report (audited; other than the information relating to the contracts of employment of the Executive Directors set out in section '1. Executive Directors')

1. Executive Directors

At the date of this Report there are two executive Directors in office.

Mr Charles Goodyear was appointed to the Board on 30 November 2001. At the time of his appointment he was Chief Development Officer. On 5 January 2003, he was appointed Chief Executive Officer.

Mr Miklos (Mike) Salamon was appointed to the Board on 24 February 2003. He is the Senior Minerals Executive and President of the Aluminium Customer Sector Group.

1.1 Mr Charles Goodyear

1.1.1 Service contract

Mr Goodyear has a single service contract with BHP Billiton Limited and BHP Billiton Plc. The contract does not contain a fixed term and can be terminated by the Group on 12 months' notice. Mr Goodyear is entitled to terminate the contract on three months' notice. The Group may immediately terminate the contract by paying Mr Goodyear 12 months' base salary in lieu of notice. In addition to base salary, Mr Goodyear is paid an amount in lieu of any contribution by the Group to a superannuation or pension fund. This amount is described as 'Retirement benefits' in the table in section 1.1.2 below. This amount is also payable where a payment is made in lieu of notice.

Any entitlement Mr Goodyear might have in relation to short and long-term incentives is covered by the Group Incentive Scheme (GIS). The rules of that Scheme outline the circumstances in which Mr Goodyear (and any other participant) would be entitled to receive any Deferred Shares, Options or Performance Shares that had been granted but which had not vested at the date of termination. The rules of the GIS also outline the circumstances in which Mr Goodyear would be entitled to a cash bonus payment for the performance year in which he leaves the Group. Those circumstances depend on the reason for his departure.

The rules of the GIS confer on the Committee discretion in relation to the entitlements of an employee on termination in some circumstances. One such circumstance is where the employee is classified as an 'other leaver'. This will include situations where the employee does not resign or is not terminated for cause. In an effort to provide the Group, its shareholders and Mr Goodyear with as much certainty as possible in relation to his entitlements at termination, the Committee has considered what Mr Goodyear's entitlements might be if he and the Group reached a mutual decision to depart. The Committee has resolved that, providing Mr Goodyear has served as Chief Executive Officer for no less than three years, he would be entitled to:

- any Deferred Shares or Options that had been granted but were not exercisable at the date of departure. The Committee recognises that the performance measures for the grant of these Deferred Shares or Options have already been met, save for the requirement that they be held for two years from the date of grant. The Committee believes that a mutual decision to depart would override that additional requirement to hold these Shares or Options for the balance of the two-year period.
- a cash bonus for the year in which the departure takes place that has been calculated according to the performance of Mr Goodyear and the Group for that year, and pro-rated back to reflect the actual period of service in that year.
- a right to retain Performance Shares that have been granted but that are not exercisable, pending satisfaction of performance conditions. The number of Performance Shares Mr Goodyear will be permitted to retain will be reduced to reflect his period of service. These will then only become exercisable if the performance conditions are ultimately met.

These entitlements would not arise if Mr Goodyear's contract was terminated for cause or if Mr Goodyear resigned. Details of how the GIS would operate in those circumstances are set out in the rules, a copy of which is available on the website at *www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf.*

Where the Committee retains discretion in relation to the award of any long or short-term incentives, the rules of the GIS require the Committee to exercise that discretion in good faith and acting reasonably.

Notes to Financial Statements continued

1.1.2 Remuneration

Mr C W Goodyear Remuneration paid (US Dollars)

Base salary	Annual cash bonus	Value of Deferred Shares (1)	Other benefits (2)	Retirement benefits (3)	Subtotal 2003	Subtotal 2002	Share-based compensation-long-term (4)	Adjustment for Deferred Share vesting period (5)	Total 2003	Total 2002 (6)
1 143 190	898 183	838 364	450 982	403 638	3 734 357	2 303 230	368 361	(558 909)	**3 543 809**	2 543 419

(1) Deferred Shares
The actual Deferred Shares will be awarded to Mr Goodyear subject to approval by shareholders at the annual general meetings in 2003. Mr Goodyear can elect to receive Options instead of Deferred Shares, or a combination of both.

(2) Other benefits
Mr Goodyear is entitled to certain benefits including medical insurance, health insurance, and the use of certain Group facilities. Mr Goodyear also received a tax impact allowance, relocation allowances and expenses, professional fees and car allowance. The tax impact allowance was designed to compensate him for any additional tax payable on his personal assets as a result of his move from the US to Australia and subsequently to the UK.

(3) Retirement benefits comprise cash gratuity paid in lieu of retirement benefits during the year.

(4) Long-term share-based compensation
The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes. The estimated value has been calculated using a modified Black-Scholes option pricing methodology. Details of outstanding awards and awards vesting in the year are set out in the two tables below.

(5) In accordance with UK GAAP, 100 per cent of the value of Deferred Shares earned during the 2003 year is included in remuneration in the column headed 'Value of Deferred Shares'. Under US GAAP, such remuneration is to be included over the vesting period (in this case, the three years from 1 July 2002 to 30 June 2005). The column headed 'Adjustment' represents this difference. Hence, the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with Deferred Shares under US GAAP.

(6) Total remuneration paid to Mr Goodyear while a Director of the Group during 2002 was US$1 285 402. This was made up of base salary US$408 618, annual cash bonus of US$562 330 and other benefits of US$314 454.

1.1.3 Share and Option plans

The following tables set out details of Mr Goodyear's interests in incentive plans including the number of shares awarded by BHP Billiton Limited in the financial year ended 30 June 2003.

Mr C W Goodyear Share Options

	Ordinary Shares under option							
Scheme	At 1 July 2002 (1)	Granted	Exercised	Lapsed	At 30 June 2003	Exercise price (3)	First exercise date	Expiry date
ESP 1999(2)	722 785	-	165 209	-	**557 576**	A$6.92	23 April 2002	22 April 2009
ESP 2000(4)	722 785	-	-	-	**722 785**	A$7.60	03 April 2003	02 April 2010

(1) Includes bonus shares issued for Options in respect of DLC Merger.

(2) All of the award is exercisable. The terms of these Options are identical to the terms of ESP 2000 except for minor variations to the global comparator group, where the performance measurement was from 23 April 1999 to 22 April 2002 and that the Options expire on 22 April 2009. Market price on the date of exercise (28 February 2003) was A$9.15.

(3) Represents the exercise price payable on Options held at 1 July 2002, adjusted for bonus issues of shares in respect of the DLC Merger and for the exercise price reduction as a result of the OneSteel spin-out and BHP Steel Demerger.

(4) Seventy-five per cent of the award is exercisable. The balance of the award is still subject to satisfying performance conditions.

Mr C W Goodyear Shares awarded

	Ordinary Shares under award					
Scheme	At 1 July 2002 (1)	Granted (2)	Vested	Lapsed	At 30 June 2003	Vesting date
GIS 2002 - Performance Shares	-	180 154	-	-	**180 154**	August 2005
PSP 2001	136 573	-	-	-	**136 573**	1 October 2004
PSP 2000(3)	184 483	-	-	-	**184 483**	1 July 2003
Total	321 056	180 154	-	-	**501 210**	

(1) Includes bonus shares issued for Performance Rights in respect of DLC Merger and the BHP Steel Demerger.
(2) Market price on date of the GIS award (12 November 2002) was A$9.37.
(3) Seventy-five per cent of the award is exercisable. The balance of the award is still subject to satisfying performance conditions.

The market price of BHP Billiton Limited shares at 30 June 2003 was A$8.64.

The highest and lowest market prices during 2003 were A$10.50 (9 July 2002) and A$8.28 (20 May 2003) respectively.

Mr Goodyear was invited to participate in the GIS for the year ended 30 June 2003. The target cash bonus amount was 70 per cent of adjusted salary. The Group financial measures represented a 70 per cent weighting of Mr Goodyear's total performance measures. Mr Goodyear had an above target level of performance and achieved 91.1 per cent of adjusted salary.

The cash bonus amount represents half of the total bonus amount in accordance with the rules of the GIS. The actual amount is detailed in the table of remuneration in section 1.1.2.

The remaining half of the total bonus will be awarded to Mr Goodyear in Deferred Shares and/or Options, subject to the approval of shareholders at the annual general meetings in 2003. These Deferred Shares and/or Options will vest in August 2005, subject to Mr Goodyear still being in employment with the Group at the time of vesting. In addition to the Deferred Shares and/or Options, the Group will also match this half of the total bonus amount in the form of a Performance Share award. The vesting of these Performance Shares will be subject to performance hurdles, and will not be eligible for vesting until August 2006.

Notes to Financial Statements continued

The Remuneration Committee has set a target cash bonus amount of 70 per cent of salary for the year ended 30 June 2004. The Group financial measures will represent a 75 per cent weighting of his total performance measures. The remaining 25 per cent relates to personal performance measures which include risk management and people development.

Assessed at the 'target' level of performance, 50.9 per cent of Mr Goodyear's remuneration is related to his performance and is therefore 'at risk'.

1.1.4 Retirement benefits

Mr Goodyear's remuneration includes a payment in lieu of any contribution by the Group to a superannuation or pension fund. That payment is fixed at an annual contribution rate of 48 per cent of base salary. Mr Goodyear may elect to have the sum paid into a superannuation or pension fund or he may elect, instead, to defer receipt, subject to the rules of a Retirement Savings Plan that has been established for this purpose. Those rules allow Mr Goodyear to accumulate these annual payments and to defer receipt until after he retires from the Group. The Plan allows Mr Goodyear to establish retirement savings arrangements that best meet his needs.

In the event of death in service, a death-in-service benefit of four times base salary will be paid. The overall annual pension payable to his spouse at the time of his death, until she dies, will be equal to two-thirds of one-thirtieth of Mr Goodyear's pensionable salary at date of death, for each year of service from 1 January 2003 to his normal retirement date. Periods of service where Mr Goodyear received his retirement benefit in the form of the cash gratuity will be disregarded for the purpose of calculating any pension amount.

1.2 Mr Miklos (Mike) Salamon

1.2.1 Service contracts

Mr Salamon has contracts of employment with BHP Billiton Plc and BHP Billiton Services Jersey Limited, a wholly-owned subsidiary of BHP Billiton Plc.

Mr Salamon's employment agreements automatically terminate on his sixtieth birthday. At any time prior to his sixtieth birthday each service contract can be terminated by either the Group or Mr Salamon providing 12 months' notice. The Company may make a payment in lieu of notice equal to 150 per cent of base salary. This payment reflects the market practice at the time the terms were agreed. It is now Group policy that periods of notice be limited to 12 months unless exceptional circumstances exist.

The Committee has not considered the circumstances in which it would exercise its discretion to allow Mr Salamon to maintain any ongoing participation in relation to the long-term incentive schemes in which he participates in the event of his departure. Those entitlements, if any, will be governed by the rules of the schemes at the date of departure.

1.2.2 Remuneration

Mr M Salamon - Remuneration paid (US Dollars)

Base salary	Annual cash bonus	Value of Deferred Shares (1)	Other benefits (2)	Retirement benefits (3)	Subtotal 2003	Subtotal 2002	Share-based compensation - long-term (4)	Adjustment for Deferred Share vesting period (5)	Total 2003 (6)	Total 2002
1 036 381	668 947	624 395	212 665	2 542 388	2 433 457	506 395	314 940	(416 263)	**2 947 460**	3 429 477

(1) Deferred Shares
The actual Deferred Shares will be awarded to Mr Salamon subject to the approval of shareholders at the annual general meetings in 2003. Mr Salamon can elect to receive Options instead of Deferred Shares, or a combination of both.

(2) Other benefits
Mr Salamon is entitled to certain benefits including medical insurance, life assurance-related benefits, car allowance and payout of unused leave entitlements.

(3) Retirement benefits
The estimated benefit in respect of pensions includes contributions payable in respect of actual/notional contributions that would have been required to secure the defined benefit promises earned in the year. Details of the defined benefit pension entitlements earned by Mr Salamon are set out in section 1.2.4 of this Report.

(4) Long-term share-based compensation
The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes. The estimated value has been calculated using a modified Black-Scholes option pricing methodology. Details of outstanding awards and awards vesting in the year are set in the table below.

(5) In accordance with UK GAAP, 100 per cent of the value of Deferred Shares earned during the 2003 year is included in remuneration in the column headed 'Value of Deferred Shares'. Under US GAAP, such remuneration is to be included over the vesting period (in this case, the three years from 1 July 2002 to 30 June 2005). The column headed 'Adjustment' represents this difference. Hence, the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with Deferred Shares under US GAAP.

(6) Remuneration in accordance with UK GAAP paid to Mr Salamon since appointment as a Director of the Company was US$885 296. This was made up of base salary US$360 883, annual cash bonus US$232 937, value of deferred shares US$217 423 and other benefits US$74 053.

Notes to Financial Statements continued

1.2.3 Share and Option plans

The following table sets out details of Mr Salamon's interests in incentive plans including the number of shares awarded by BHP Billiton Plc in the financial year ended 30 June 2003.

Mr M Salamon - Shares awarded

Scheme	Ordinary Shares under award					Vesting date
	At 24 February 2003	Granted	Vested	Lapsed	At 30 June 2003	
GIS 2002(1) - Performance Shares	193 706		-	-	**193 706**	August 2005
CIP 2001(2)	107 206(3)		-	-	**107 206**	1 October 2003
RSS 2001	198 163(3)		-	-	**198 163**	1 October 2004
Total	499 075		-	-	**499 075**	

(1) Market price on date of the GIS award, 12 November 2002, was £3.18.
(2) Includes 26 471 Committed Shares invested by Mr Salamon.
(3) Includes bonus shares issued for share awards in respect of the BHP Steel Demerger.

The market price of BHP Billiton Plc shares at 30 June 2003 was £3.19.

The highest and lowest market prices during 2003 were £3.53 (8 July 2002) and £2.47 (6 August 2002) respectively.

Mr Salamon was invited to participate in the GIS for the year ended 30 June 2003. The target cash bonus amount was 70 per cent of adjusted salary. The Group financial measures represented a 50 per cent weighting of Mr Salamon's total performance measures. Mr Salamon had an above target level of performance and achieved 95.6 per cent of adjusted salary.

The cash bonus represents half of the total bonus amount in accordance with the rules of the GIS. The actual amount is detailed in the table of remuneration in section 1.2.2.

The remaining half of the total bonus amount will be awarded to Mr Salamon in Deferred Shares and/or Options subject to shareholder approval at the annual general meetings in 2003. These Deferred Shares and/or Options will vest in August 2005 subject to Mr Salamon still being in employment with the Group at the time of vesting. In addition to the Deferred Shares and/or Options, the Group will also match this half of the total bonus amount in the form of a Performance Share award. The vesting of these Performance Shares will be subject to performance hurdles, and will not be eligible for vesting until August 2006.

The Remuneration Committee has set a target cash bonus amount of 70 per cent of salary for Mr Salamon for the year ended 30 June 2004. The Group financial measures will represent a 30 per cent weighting of his total performance measures. The remaining 70 per cent relates to personal performance measures, which include the performance of the Customer Sector Group for which he has responsibility.

Assessed at the 'target' level of performance, 40.2 per cent of Mr Salamon's remuneration is related to his performance and is therefore 'at risk'.

1.2.4 Retirement benefits

Mr M Salamon Defined Benefit Pension (US Dollars)

Increase in accrued annual pension entitlement during the year (1)	Total accrued annual pension entitlement at year end (2)	Increase in transfer value of total accrued pension (1)	Transfer value of total accrued pension at year end 2003 (2)	Transfer value of total accrued pension at year end 2002 (2)
82 063	630 466	(302 445)	5 701 055	6 003 500

(1) The increase in accrued pension is the difference between the accrued pension at the end of the previous year and the accrued pension at the end of the year without any allowance for inflation. The increase in transfer value of total accrued pension is the difference between the transfer value at the end of the year and the transfer value at the beginning of the year less the contributions made to the scheme by the Director also without any allowance for inflation. The increase in accrued pension after making an allowance for inflation of 3.3 per cent (2002: 1 per cent) was US$63 966 (2002: US$135 921) and the transfer value of that increase less the contributions made to the scheme by the Director was US$578 420 (2002: US$1 487 959).

(2) The disclosure of the transfer value of total accrued pension at year end is the actual transfer value as at 30 June 2002, notwithstanding the fact that Mr Salamon was appointed as a Director on 24 February 2003.

BHP Billiton Plc and BHP Billiton Services Jersey Limited have established non-contributory defined benefit pension arrangements under which Mr Salamon will be entitled to a pension at normal retirement date at age 60, equal to two-thirds of pensionable salary provided he has completed 20 years service with the Group. Only base salary is pensionable. At the date of this Report, Mr Salamon was 48 years of age.

Each year, Mr Salamon has the right to determine whether his pension provision for that year's salary under each service contract with BHP Billiton Plc and BHP Billiton Services Jersey Limited is made under a defined benefit or defined contribution arrangement for service after 1 July 1997. Alternatively, he can choose to receive a cash sum at equivalent cost to the Group. Once he has completed 20 years or more service, the cash sum option will no longer be available to him.

If he has chosen in any year to have a defined contribution arrangement he may elect subsequently to have the defined contribution benefit for that year and any previous years converted to a defined benefit promise, in which case he must surrender the defined contribution benefit accrued.

If Mr Salamon retires before age 60, his accrued defined benefit pension entitlement will normally be reduced for early payment at the rate of four per cent per annum.

In terms of the rules of the scheme all pensions in payment will be indexed in line with the retail price index.

presented in US dollars and prepared in accordance with UK GAAP

Notes to Financial Statements continued

In the event of death in service, a lump sum benefit of four times base salary will be paid. A spouse's pension on death in service of two-thirds of the prospective pension will also be paid.

In the event of the death of Mr Salamon while in retirement, a surviving spouse's pension of two-thirds of the pension in payment, before the effect of commutation, will be paid.

2. Former executive Directors

2.1 Mr Paul Anderson

Mr Paul Anderson retired as Chief Executive Officer on 1 July 2002 but remained on the Board as a non-executive Director until 4 November 2002. Details of remuneration paid to him during the year ended 30 June 2003 and the prior year are set out below. All of the amounts paid by way of termination payments were disclosed in the Annual Report for the year ended 30 June 2002. That disclosure is repeated below.

2.1.1 Termination payments

Under the terms of his service contract, Mr Anderson was entitled to receive an amount of US$1 675 831, which is equal to twice his annual base salary following his retirement on 1 July 2002. With the Board's approval an equivalent amount has been paid to him as follows:

- a consultancy arrangement with a total payment of US$104 739 under which Mr Anderson agreed to act as a consultant to the Group for two years commencing 5 November 2002.
- further payments totalling US$1 571 092.

In addition, Mr Anderson's contract entitled him to exercise those Performance Rights awarded under the original contract that had not become exercisable, being 400 000 Performance Rights (300 000 of which became exercisable on termination, with a notional value of US$3 464 770 using a share price of US$5.39 per share). Although his contract entitled him to exercise 400 000 rights without reference to service or performance hurdles, Mr Anderson requested that the 100 000 Performance Rights issued in relation to the year ended 30 June 2002 remain subject to performance conditions. His performance against the conditions was assessed in August 2002 and, as a result, all of those Performance Rights became exercisable.

2.1.2 Remuneration

Other than the termination payment detailed in section 2.1.1, Mr Anderson did not receive any remuneration, including any Directors' fees, for the year ended 30 June 2003. In 2002 Mr Anderson received US$2 615 019.

2.1.3 Share and Option plans

Mr P M Anderson - Share Options

	Ordinary Shares under option							
Scheme	At 1 July 2002	Granted	Exercised	Lapsed	At 4 November 2002	Exercise price (3)	First exercise date	Expiry date
ESP 1999(1)	2 065 100 (2)	-	-	-	2 065 100	A$6.92	23 April 2002	April 2009

(1) The terms of these Options are identical to the terms of ESP 2000 set out in section 3.4 except for minor variations to the global comparator group, where the performance measurement was from 23 April 1999 to 22 April 2002 and that the Options expire on 22 April 2009.

(2) Includes bonus shares issued for Options in respect of the DLC Merger.

(3) Represents the exercise price payable on Options held at 1 July 2002, adjusted for bonus issues of shares in respect of the DLC Merger and for the exercise price reduction as a result of the OneSteel spin-out and the BHP Steel Demerger.

The market price of BHP Billiton Limited shares at 30 June 2003 was A$8.64.

The highest and lowest market prices during 2003 were A$10.50 (9 July 2002) and A$8.28 (20 May 2003) respectively.

presented in US dollars and prepared in accordance with UK GAAP

Notes to Financial Statements continued

Mr P M Anderson - Shares awarded

Scheme	Ordinary Shares under award					Vesting date
	At 1 July 2002	Granted	Vested (1)	Lapsed	At 4 November 2002	
PSP 1999(2)	1 032 885	-	1 032 885	-	-	August 2002

(1) Market price on vesting dates were: A$9.45 (22 August 2002); and A$9.46 (26 August 2002).

(2) These Performance Rights were awarded on 1 March 1999. The market price at this time was A$5.26. Vesting of these Performance Rights was subject to service and performance conditions. The performance conditions were determined by the Board on an annual basis.

2.2 Mr Brian Gilbertson

Mr Brian Gilbertson resigned as Chief Executive Officer and as a member of the Board on 5 January 2003. Details of the payments made to him on termination were announced on 23 May 2003 and are set out in section 2.2.1 below. Details of the remuneration paid to him during the year ended 30 June 2003 and the prior year are set out in section 2.2.2.

2.2.1 Termination payments

Under the terms of an agreement between the Group and Mr Gilbertson dated 23 May 2003, the following amounts were paid to him:

- £3 418 780 in respect of unpaid salary to 30 June 2005 in accordance with the terms of his service contracts
- £54 930 in respect of holidays accrued but not taken at the time of his resignation
- £595 895 in respect of short-term incentive for the year ended 30 June 2003. This sum was reached by measuring the performance of the Group at the date of resignation and pro-rating his entitlements to that date.

These amounts represented his entitlements under his contracts of employment with the Group. The amounts are gross amounts and subject to necessary withholdings.

In addition, Mr Gilbertson is entitled to be reimbursed an amount capped at £150 000, for relocation and other costs associated with his departure. The Group will also continue to provide medical insurance cover for Mr Gilbertson and his wife until 29 June 2005.

Those amounts are included in the table in section 2.2.2 below and appear in US$.

No entitlements under any of the long-term incentive plans in which Mr Gilbertson participated vested on his resignation.

With the approval of the Board, the Committee exercised the discretion granted to it under those incentive plans and agreed to allow Mr Gilbertson to continue to participate subject to the following conditions:

- that the number of entitlements that Mr Gilbertson retained be reduced on a pro-rated basis to reflect his period of service
- that shares would vest only if the pre-determined performance conditions had been met
- awards of shares, if any, would be made at the same time as to other participants in the plans.

In exercising its discretion the Board and Committee took into account the leadership role Mr Gilbertson had played both before and after the merger and felt that Mr Gilbertson should be entitled to participate, albeit at a reduced level to reflect his period of service, if the pre-determined performance conditions were ultimately met.

Awards in which Mr Gilbertson continues to hold an entitlement, subject to these conditions, are set out in the table in section 2.2.3 below.

Mr Gilbertson is also entitled to benefits under pension plans in which he had accrued an entitlement to 31 years of pensionable service with all included employers at the date of his resignation from BHP Billiton. Details of these entitlements are set out in section 2.2.4.

Notes to Financial Statements continued

2.2.2 Remuneration

Mr B P Gilbertson - Remuneration paid (US Dollars)

Base salary	Deferred cash bonus	Other benefits	Termination payments (1)	Subtotal 2003	Subtotal 2002	Retirement benefits (2)	Share-based compensation - long-term (3)	Total 2003	Total 2002
685 567	419 259	45 892	6 707 368	7 858 086	3 745 115	364 313	292 636	**8 515 035**	5 060 566

(1) Termination payments
Included in the termination payments is an amount of US$947 218 relating to pro-rated cash bonus paid in relation to Mr Gilbertson's services for the year ended 30 June 2003.
(2) Retirement benefits
The estimated benefit in respect of pensions includes contributions payable in respect of actual/notional contributions that would have been required to secure the defined benefit promises earned in the year. Details of the defined benefit pension entitlements earned by Mr Gilbertson are set out in section 2.2.4 below.
(3) Long-term share-based compensation
The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes.
The estimated value has been calculated using a modified Black-Scholes option pricing methodology. Details of outstanding awards and awards vesting in the year are set in the table below.

2.2.3 Shares awarded

Mr B P Gilbertson - Shares in which an entitlement is retained, subject to performance

	Ordinary Shares under award					
Scheme	At 1 July 2002 (1)	Granted (2)	Vested	Number of shares forfeited as at date of resignation	Number of shares in which Mr Gilbertson retained an entitlement at5 January 2003 subject to the conditions set out in section 5.2.1 (3)	Vesting date
GIS 2002 - Performance Shares	-	366 589	-	303 430	63 159	August 2005
RSS 2001	292 576	-	-	169 358	123 218	1 October 2004
CIP 2001(4)	100 946	-	-	58 648	42 298	7 November 2003(5)
Total	393 522	366 589	-	531 436	228 675	

(1) Includes bonus shares issued for share awards in respect of the BHP Steel Demerger.
(2) Market price on date of the GIS award, 12 November 2002, was £3.18.
(3) The number of entitlements Mr Gilbertson retained are pro-rated to reflect his period of service to resignation date. The shares will vest only if the pre-determined performance conditions have been met. Awards of shares, if any, will be made at the same time as to other participants in the plans.
(4) CIP includes the 24 925 Committed Shares originally invested by Mr Gilbertson.
(5) If Mr Gilbertson elects to participate in the second Performance Period, then 16 275 shares will vest on 7 November 2005. Otherwise these 16 275 shares will lapse on 7 November 2003.

The market price of BHP Billiton Plc shares at 30 June 2003 was £3.19.

The highest and lowest market prices during 2003 were £3.53 (8 July 2002) and £2.47 (6 August 2002) respectively.

2.2.4 Retirement benefits

Mr Gilbertson participated in a defined benefit pension plan. Under the terms of that plan Mr Gilbertson has pensionable service from 1 April 1970. That service includes service to BHP Billiton and service that was transferred from former employers. Mr Gilbertson is entitled to take the retirement benefits or a pension or commute those benefits to a lump sum. At the date of this Report Mr Gilbertson has not advised the Group of his election.

Notes to Financial Statements continued

Mr B P Gilbertson - Defined Benefit Pension (US Dollars)

Increase in accrued annual pension entitlement during the year (1)	Total accrued annual pension entitlement at year end (2)	Increase in transfer value of total accrued pension (1)	Transfer value of total accrued pension at year end 2003 (2)	Transfer value of total accrued pension at year end 2002 (2)
86 910	977 186	(1 447 694)	14 795 452	16 243 146

(1) The increase in accrued pension is the difference between the accrued pension at the end of the previous year and the accrued pension at the end of the year without any allowance for inflation. The decrease in transfer value of total accrued pension is the difference between the transfer value at the end of the year and the transfer value at the beginning of the year less the contributions made to the scheme by the Director also without any allowance for inflation.
The increase in accrued pension after making an allowance for inflation of 3.3 per cent (2002: 1 per cent) was US$57 531 (2002: US$50 363) and the transfer value of that increase less the contributions made to the scheme by the Director was US$871 075 (2002: US$1 009 296).

(2) The disclosure of the transfer value of total accrued pension at year end represents the transfer value as at 30 June 2003, notwithstanding that Mr Gilbertson resigned on 5 January 2003.

At the date of his resignation Mr Gilbertson was 59 years of age.

3. Executives

3.1 Five highest paid officers (other than Directors) (US Dollars)

Executive	Base salary	Annual cash bonus	Value of Deferred Shares (1)	Other Benefits (2)	Subtotal 2003	Retirement Benefits (3)	Share-based compensation - long-term (4)	Adjustment for Deferred Share vesting period (5)	Total 2003
Philip Aiken	675 241	558 015	520 851	408 789	2 162 896	180 289	285 050	(347 234)	**2 281 001**
Marius Kloppers	449 486	415 971	388 267	679 458	1 933 182	-	225 336	(258 845)	**1 899 673**
Bradford Mills	551 250	439 415	410 150	158 931	1 559 746	201 206	278 534	(273 433)	**1 766 053**
Chris Lynch	587 217	487 638	455 161	175 096	1 705 112	142 987	184 849	(303 441)	**1 729 507**
David Munro	787 894	370 371	345 704	143 068	1 647 037	-	153 742	(230 469)	**1 570 310**

(1) Deferred Shares
Employees can elect to receive Options instead of Deferred Shares, or a combination of both.

(2) Other benefits
Includes medical insurance, life assurance, related benefits, cash gratuity in lieu of retirement benefits (which for Mr Kloppers totalled US$353 226), relocation allowance and expenses, sign-on allowances, payment of unused leave entitlements and car allowances, where applicable.

(3) Retirement benefits
The estimated benefit in respect of pensions includes contributions payable in respect of defined contribution arrangements and actual/notional contributions that would have been required to secure the defined benefit promises earned in the year.

(4) Long-term share-based compensation
The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes.
The estimated value has been calculated using a modified Black-Scholes option pricing methodology. The number of Performance Shares granted under the GIS in November 2002 is as follows: 158 118 Performance Shares to Mr Aiken; 119 485 Performance Shares to Mr Kloppers; 141 897 Performance Shares to Mr Mills; 117 117 Performance Shares to Mr Lynch; and 147 263 Performance Shares to Mr Munro.

(5) In accordance with UK GAAP, 100 per cent of the value of Deferred Shares earned during the 2003 year is included in remuneration in the column headed 'Value of Deferred Shares'. Under US GAAP, such remuneration is to be included over the vesting period (in this case, the three years from 1 July 2002 to 30 June 2005). The column headed 'Adjustment' represents this difference. Hence, the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with Deferred Shares under US GAAP.

Notes to Financial Statements continued

4. Non-executive Directors

4.1 Remuneration policy

In May 2001 shareholders approved an aggregate sum of A$3 million to be used to remunerate non-executive Directors. Fees payable to non-executive Directors were set in 2002. There was no change to either the fee structure, or rates payable during the 2003 financial year.

The remuneration rates reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the Dual Listed Companies structure, the multiple stock exchange listings and the extent of the geographic regions in which the Group operates. They also reflect the considerable travel burden imposed on members of the Board.

The elements of remuneration are:

- a base fee of US$60 000 per annum
- a fee of US$1000 for each meeting attended
- a fee of US$7500 for the chairman of a Committee of the Boards
- a travel allowance of US$1000 for air travel that is more than three hours but less than 12 hours and US$2500 where air travel is more than 12 hours.

Non-executive Directors are not eligible to participate in any of the Group's incentive arrangements.

The Chairman of BHP Billiton is Mr Don Argus. His remuneration is fixed at four times the base fee for non-executive Directors.

He does not receive any additional fees for chairing the Nomination Committee, or any Board meeting attendance fees.

The Senior Independent Director of BHP Billiton Plc is Dr John Buchanan. Dr Buchanan is paid a base fee of US$80 000, plus additional fees and allowances as described.

Members of the Risk Management and Audit Committee (Mr David Crawford, Dr David Brink, Dr David Jenkins and Mr Cornelius Herkströter) also act as chairmen of the Customer Sector Group Risk Management and Audit Committees and receive attendance fees and travel allowances in respect of meetings of those Committees.

Fees are denominated in US dollars and are paid in either US dollars, Australian dollars or UK sterling, as nominated by the Director.

Each non-executive Director is appointed subject to periodic re-election by the shareholders. There are no provisions in any of the non-executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

4.2 Remuneration paid - non-executive Directors (US Dollars)

	Fees and allowances	Other benefits	Subtotal 2003	Subtotal 2002	Retirement benefits (1) 2003	Total 2003	Total 2002
Paul Anderson(2)	-	-	**-**	-	-	**-**	-
Don Argus	247 500	-	**247 500**	245 000	12 625	**260 125**	261 524
Ben Alberts(3)	-	-	**-**	70 000	-	**-**	73 470
David Brink	95 500	2 781	**98 281**	80 031	-	**98 281**	80 031
John Buchanan(4)	44 832	-	**44 832**	-	-	**44 832**	-
Michael Chaney(6)	81 500	-	**81 500**	71 000	3 155	**84 655**	75 362
John Conde(3)	-	-	**-**	67 500	-	**-**	71 630
David Crawford	96 000	-	**96 000**	84 000	3 550	**99 550**	88 343
Cornelius Herkströter	83 500	2 781	**86 281**	70 531	-	**86 281**	70 531
John Jackson(5)	54 144	-	**54 144**	155 000	-	**54 144**	155 000
David Jenkins	100 500	-	**100 500**	69 000	-	**100 500**	70 785
Derek Keys(3)	-	2 781	**2 781**	76 969	-	**2 781**	76 969
John Ralph(5)	24 660	-	**24 660**	69 000	1 160	**25 820**	73 130
Lord Renwick	76 500	-	**76 500**	68 000	-	**76 500**	68 000
Barry Romeril(3)	-	2 781	**2 781**	70 531	-	**2 781**	70 531
John Schubert	78 375	-	**78 375**	70 000	3 250	**81 625**	74 130

(1) BHP Billiton Limited contributions of 9 per cent of fees paid in accordance with Australian superannuation legislation.

(2) Appointed a non-executive Director on 1 July 2002 upon his retirement as Chief Executive Officer and Managing Director. He did not receive fees, allowances or other benefits in his capacity as a non-executive Director. Retired on 4 November 2002. Details of amounts paid to him on retirement are set out in section 2.1.

(3) Retired on 30 June 2002.

(4) Appointed on 1 February 2003.

(5) Retired on 4 November 2002.

(6) Michael Chaney has requested that fees payable to him be paid instead to his employer Wesfarmers Limited.

4.3 Non-executive Directors' retirement benefits

In 1989 the shareholders of BHP Limited approved the introduction of a Retirement Plan under which non-executive Directors accrued entitlements to be paid by the Group on retirement from the Board. The entitlements under this plan are net of any compulsory payments by the Group to the BHP Billiton Superannuation Fund.

At the time of the merger, the Board resolved to close the Plan to new entrants and to continue its operation only until such time as the remaining participants continued in office.

In August 2003 the remaining participants in the Plan (Mr Don Argus, Mr Michael Chaney, Mr David Crawford, Dr David Jenkins and Dr John Schubert) all agreed to set aside their entitlements and cease participation in the Plan effective from the first of the 2003 annual general meetings (to be held on 24 October 2003). The Plan will be closed from that date and the

Notes to Financial Statements continued

entitlements that have accumulated in respect of each of the participants will be frozen and paid on retirement. Those amounts are set out in the table below. An earnings rate equal to the five-year Australian Government Bond Rate will be applied.

The following table sets out the accrued retirement benefits under the Plan together with any entitlements obtained by the compulsory Group contributions to the BHP Billiton Superannuation Fund.

Retirement remuneration - non-executive Directors (US Dollars)

Name	Completed years of service at 30 June 2003	Increase in lump sum entitlement during the year	Lump sum entitlement at 30 June 2003	Lump sum entitlement at 30 June 2002
Don Argus	7	199 892	**997 383**	797 491
Michael Chaney	8	52 179	**264 013**	211 834
David Crawford	9	54 387	**278 681**	224 294
David Jenkins	3	57 242	**132 007**	74 765
John Schubert	3	57 242	**132 007**	74 765

5. Former non-executive Directors

Mr Paul Anderson, Mr John Jackson and Mr John Ralph retired as non-executive Directors during the year.
Following his retirement as a non-executive Director on 30 June 2002, Mr Ben Alberts joined the Health, Safety and Environment Committee. He received a fee of A$2000 for each day spent on Committee activities, which amounted to US$16 535 in total during the year ended 30 June 2003. He was also paid a retirement benefit during the year of US$107 158 which had accrued up to his retirement at the end of the previous financial year.

Mr Anderson served as a non-executive Director from 1 July 2002 to 4 November 2002. He did not receive any remuneration for his services as a non-executive Director. Details of remuneration paid in relation to his executive responsibilities are set out in section 2.1.2. A description of his benefits paid after his retirement as a non-executive Director and manner of payment are set out in section 2.1.1.

Mr John Ralph retired on 4 November 2002 and was paid a retirement benefit of US$196 053 that had accrued to him up to his retirement.

Mr John Conde retired on 30 June 2002 and was paid a retirement benefit of US$207 196 that had accrued to him up to his retirement.

6. Aggregate Directors' remuneration

The aggregate remuneration of executive and non-executive Directors of BHP Billiton in accordance with UK generally accepted accounting principles is set out in the table below.

Aggregate Directors' remuneration (US Dollars million)

	2003	2002
Emoluments	7	9
Termination payments	12	2
Awards vesting under long-term incentive plans	-	9
Gains on exercise of Options	0[1]	-
Total	19	20

(1) Mr Goodyear exercised options during the year ended 2003 with a gain of US$0.2 million.

BHP BILLITON PLC GROUP

ANNUAL FINANCIAL STATEMENTS

28 JUNE 2001

Independent Auditors' Report

We have audited the consolidated profit and loss accounts, statements of total recognised gains and losses, statements of cash flow and reconciliations of movements in shareholders' funds for the period 1 July 2000 to 28 June 2001 and each of the years in the two-year period ended 30 June 2000 of BHP Billiton Plc and subsidiaries ("the BHP Billiton Plc Group"). These consolidated financial statements are the responsibility of the board of directors of BHP Billiton Plc. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom and the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated profit and loss accounts, statements of total recognised gains and losses, statements of cash flow and reconciliations of movements in shareholders' funds referred to above present fairly, in all material respects, the results of operations and cash flows of the BHP Billiton Plc Group for the period 1 July 2000 to 28 June 2001 and each of the years in the two-year period ended 30 June 2000, in conformity with applicable generally accepted accounting principles in the United Kingdom.

As explained in the accounting policies, these consolidated financial statements have been drawn up for the purpose of showing the results of operations and cash flows of the BHP Billiton Plc Group without giving effect to the merger with the BHP Billiton Limited Group which was completed on 29 June 2001. Accordingly, these financial statements do not include the results of operations or cash flows of BHP Billiton Limited and its subsidiaries.

As discussed in the note to the financial statements on accounting policies, the Company changed its method of accounting for income taxes in 2001.

Generally accepted accounting principles in the United Kingdom vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected the BHP Billiton Plc Group results of operations for the period 1 July 2000 to 28 June 2001 and each of the years in the two-year period ended 30 June 2000 to the extent summarised in Note 24 to the consolidated financial statements referred to above.

/s/ PricewaterhouseCoopers
PricewaterhouseCoopers

London

3 September 2001

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Notes to the financial statements

Consolidated Profit and Loss Account
For the period 1 July 2000 to 28 June 2001

	Note	2001 excluding exceptional items US$m	2001 exceptional items (Note 2) US$m	2001 including exceptional items US$m	2000 restated US$m	1999 restated US$m
Turnover including share of joint ventures' and associates' turnover:						
Group production	3	**5,363**	**–**	**5,363**	4,766	4,320
Trading and metals distribution		**1,970**	**–**	**1,970**	784	854
	3,4	**7,333**	**–**	**7,333**	5,550	5,174
Less: share of joint ventures' and associates' turnover included above	3,4	**(673)**	**–**	**(673)**	(559)	(552)
Group turnover	3,4	**6,660**	**–**	**6,660**	4,991	4,622
Turnover from Group production (excluding joint ventures and associates)	3	**4,749**	**–**	**4,749**	4,241	3,834
Continuing operations		**4,573**	**–**	**4,573**	4,241	3,734
Acquisitions	3	**176**	**–**	**176**	–	100
Related operating costs	5	**(3,864)**	**35**	**(3,829)**	(3,578)	(3,352)
Operating profit from Group production	3	**885**	**35**	**920**	663	482
Operating profit from trading and metals distribution		**44**	**–**	**44**	18	5
Group operating profit	3,4	**929**	**35**	**964**	681	487
Share of operating profit of joint ventures and associates	3,4	**191**	**(114)**	**77**	162	158
Operating profit including share of profits of joint ventures and associates	3,4	**1,120**	**(79)**	**1,041**	843	645
Continuing operations		**1,032**	**(79)**	**953**	843	634
Acquisitions	3	**88**	**–**	**88**	–	11
Merger transaction costs		**–**	**(55)**	**(55)**	–	–
Income from other fixed asset investments		**18**	**–**	**18**	8	12
Net interest and similar items payable						
– Group	6	**(117)**	**-**	**(117)**	(11)	(62)
– Joint ventures and associates	6	**(4)**	**–**	**(4)**	(10)	(22)
Profit on ordinary activities before taxation	3,4	**1,017**	**(134)**	**883**	830	573
Tax on profit on ordinary activities	8	**(311)**	**15**	**(296)**	(223)	(143)
Profit on ordinary activities after taxation		**706**	**(119)**	**587**	607	430
Equity minority interests		**(13)**	**34**	**21**	(41)	(48)
Attributable profit		**693**	**(85)**	**608**	566	382
Dividends to shareholders	9	**(278)**	**–**	**(278)**	(232)	(218)
Retained profit for the financial year		**415**	**(85)**	**330**	334	164
Basic earnings per ordinary share (US cents) (a)	10	**31**		**27**	27	18
Diluted earnings per ordinary share (US cents) (a)	10	**31**		**27**	27	18
Dividend per ordinary share (US cents)	9			**12.00**	11.25	10.5

Attributable profit represents the profit for the financial period. All amounts are derived from continuing activities. There is no difference between the historical cost profits and losses and the profits and losses as presented in the profit and loss account above. Included within turnover and operating profit is US$1,146 million (2000: US$ nil; 1999: US$100 million) and US$88 million (2000: US$ nil; 1999: US$11 million) respectively attributable to acquisitions.

(a) Whilst the presentation of earnings per share excluding exceptional items is acceptable under UK GAAP, this presentation is not permitted under US GAAP. Profit and earnings per share before exceptional items are not measures of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP as a measurement of the BHP Billiton Group's profitability or liquidity. All registrants do not calculate profit and earnings per share before exceptional items in the same manner, and accordingly, profit and earnings per share before exceptional items may not be comparable with other registrants. Refer to note 2 for details of exceptional items excluded and to note 10 for details of the calculations.

Consolidated Statement of Total Recognised Gains & Losses
For the period 1 July 2000 to 28 June 2001

	BHP Billiton Plc Group (excluding JVAs)			Joint ventures and associates (JVAs)			BHP Billiton Plc Group		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Attributable profit for the financial period	**526**	460	301	**82**	106	81	**608**	566	382
Exchange gains and losses on foreign currency net investments	**–**	(7)	(14)	**–**	–	–	**–**	(7)	(14)
Total recognised gains for the period	**526**	453	287	**82**	106	81	**608**	559	368
Prior year adjustments arising from the implementation of revised accounting policies (refer Accounting Policies):									
- Deferred taxation	**(171)**	–	–	**(29)**	–	–	**(200)**	–	–
- Exploration	**(15)**	–	–	**–**	–	–	**(15)**	–	–
- Provisions	**–**	–	21	**–**	–	–	**–**	–	21
Total recognised gains since last annual report	**340**	453	308	**53**	106	81	**393**	559	389

Exchange gains and losses on foreign currency net investments include a related tax charge of US$ nil (2000: US$ nil; 1999: US$11 million).

Consolidated Statement of Cash Flows
For the period 1 July 2000 to 28 June 2001

	Note	**2001** US$m	2000 restated US$m	1999 restated US$m
Net cash inflow from Group operating activities	15	**1,369**	1,040	795
Dividends received from joint ventures		**138**	98	105
Returns on investments and servicing of finance	16	**(216)**	(145)	(126)
Taxation		**(263)**	(140)	(119)
Capital expenditure and financial investment	17	**(2,400)**	(896)	(579)
Acquisitions and disposals	18	**(1,491)**	(34)	(1,155)
Equity dividends paid		**(246)**	(223)	(223)
Net cash flow before management of liquid resources and financing		**(3,109)**	(300)	(1,302)
Management of liquid resources	19	**365**	(232)	1,394
Financing	20	**2,853**	643	(299)
– Issue of shares / Share Repurchase Scheme		**850**	(2)	(116)
– Debt		**2,003**	645	(183)
Increase in cash in the year	21	**109**	111	(207)

Reconciliation of net cash flow to movement in net debt

	Note	**2001** US$m	2000 restated US$m	1999 restated US$m
Increase in cash in the year	21	**109**	111	(207)
Cash flow from debt and lease financing	20	**(2,003)**	(645)	183
Cash flow from management of liquid resources	19	**(365)**	232	(1,394)
Change in net debt arising from cash flows		**(2,259)**	(302)	(1,418)
Loans acquired with subsidiaries	21	**(665)**	–	(42)
Other non-cash movements	21	**–**	7	(15)
Exchange adjustments	21	**121**	84	12
Movement in net debt		**(2,803)**	(211)	(1,463)
Net debt at start of year	21	**(1,183)**	(972)	491
Net debt at end of year	21	**(3,986)**	(1,183)	(972)

Accounting Policies

Basis of accounting

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. The consolidated financial statements set out herein have been drawn up for the purpose of showing the results of operations and cashflows of the BHP Billiton Plc Group as it was prior to the DLC merger (the BHP Billiton Plc pre-merger group) and so exclude BHP Billiton Limited and its subsidiaries.The consolidated financial statements have been prepared under the historical cost convention (except as discussed under tangible fixed assets below) and in accordance with applicable accounting standards and the United Kingdom Companies Act 1985 as applicable to the BHP Billiton Plc pre-merger group, except as described in the accounting policies note on foreign currencies.

The consolidated financial statements reflect the results of subsidiaries included in the BHP Billiton Plc pre-merger group (and exclude BHP Billiton Limited and its subsidiaries for the reasons set out above). Where the BHP Billiton Plc pre-merger group's interest is less than 100%, the share attributable to outside shareholders is reflected in minority interests. The accounting policies have been applied consistently in the preparation of the consolidated financial statements.

Application of new accounting standards and changes in accounting policies

The BHP Billiton Plc 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 for all periods presented. Prior to the adoption of FRS 19, the BHP Billiton Plc 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 Plc 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

Accounting Policies (continued)

Application of new accounting standards and changes in accounting policies (continued)

(c) investments in joint ventures have been reduced by US$49 million for both periods resulting in decreases in shareholders' funds of US$189 million and US$200 million after taking account of the change in 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;
- Operating profit and the tax on profit on ordinary activities for the year ended 30 June 1999 have been decreased by US$5 million and increased by US$11 million respectively from the figures previously published, resulting in profit after tax and attributable profit being decreased by US$16 million and US$1 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 28 June 2001 the BHP Billiton Plc Group's policies for the treatment of exploration expenditure was that expenditure incurred prior to a project being considered to be commercially viable was recognised as a charge in the profit and loss account. Expenditure incurred subsequent to the determination of commercial viability was capitalised. Further, 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.

For the period 1 July 2000 to 28 June 2001 the BHP Billiton Plc Group's policy has 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.

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 Plc 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 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.

Accounting Policies (continued)

Acquisitions, disposals and goodwill (continued)
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. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity. A formal agreement between these venturers is not necessary to create joint control provided that in practice each relevant venturer's consent is required for strategic decisions.

The results of joint ventures are accounted for using the gross equity method of accounting. Under the gross equity method, the cost of the investment in the venture is adjusted by BHP Billiton Group's proportionate share of the results of operations of the venture.

Joint arrangements
The BHP Billiton Group has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the entity itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create an entity, such as a joint venture, due to the fact that the policies are those of the participants, not a separate 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 Plc Group's reporting currency is US dollars as this is the dominant currency in which the BHP Billiton Plc 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.

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 Plc Group's results. Compliance with accounting standards overrides the requirement of the United Kingdom Companies Act 1985 that only profits realised at the balance sheet date be included in the profit and loss account. The effect is disclosed in Note 6.

Notes to the financial statements

Accounting Policies (continued)

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

Mineral rights

Mineral rights acquired by the BHP Billiton Plc 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.

Mineral leases

The BHP Billiton Plc Group's minerals leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

Exploration, evaluation and development expenditure

In respect of minerals, 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.

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)
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.

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 Plc 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 Plc 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 Plc 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 Plc 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 Plc 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 Plc 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 Plc 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 Plc 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 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.

presented in US dollars and prepared in accordance with UK GAAP

Notes to the financial statements

Decommissioning, site restoration and environmental costs

BHP Billiton Plc 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 Plc Group's environmental policies. The expected cost of any approved decommissioning or restoration programme, discounted to its net present value, is provided and capitalised when the related environmental disturbance occurs, based on the BHP Billiton Plc Group's interpretation of environmental and regulatory requirements and its own environmental policies where they are more onerous. 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. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances. Such costs are recognised where environmental contamination as a result of chemical spills, seepage or other contingent events gives rise to a loss which is probable and reliably estimable.

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

Turnover

Turnover from the sale of goods and disposal of other assets is recognized when persuasive evidence, usually in the form of an executed sales agreement, of an arrangement exists indicating there has been a transfer of title, risks and rewards to the customer, no further work or processing is required by the BHP Billiton Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectibility is reasonably assured.

In the majority of sales for most commodities, sales agreements specify that title passes on the bill of lading date which is the date the commodity is delivered to the shipping agent. Revenue is recognized on the bill of lading date. For certain sales (principally coal sales to adjoining power stations), title passes and revenue is recognized when the goods have been received.

In cases where the terms of the executed sales agreement allows for an adjustment to the sales price based on a survey (eg. an assay for mineral content) of the goods by the customer, recognition as revenue of a portion of the sales price is deferred at the time of shipment until a final adjustment is determined. Historically these adjustments have been insignificant.

Exchange rates

The following exchange rates have been utilised in these financial statements

Versus US dollar	**2001 average**	2000 average	1999 average	**28 June 2001**	30 June 2000	30 June 1999
South African rand	**7.16**	6.34	6.05	**8.08**	6.82	6.04
Australian dollar	**1.87**	1.59	1.60	**1.98**	1.66	1.51
Brazilian real	**2.01**	1.83	1.46	**2.30**	1.80	1.77
Chilean peso	**577**	523	N/A	**632**	540	N/A
Colombian peso	**2 233**	1 957	1 547	**2 297**	2 148	1 547
Canadian dollar	**1.52**	1.48	1.51	**1.52**	1.48	1.51

The BHP Billiton Plc Group had no holdings in Chile throughout fiscal 1999 and therefore no exchange rate has been quoted above.

Net interest cost

Net interest cost is generally expensed as incurred except where it relates to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Interest is capitalised up to the date when the asset is ready for its intended use. The amount of interest capitalised for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

presented in US dollars and prepared in accordance with UK GAAP

Notes to the financial statements

Note 1. Principal Subsidiaries, Joint Ventures, Associates and Joint Arrangements

Subsidiary undertakings

The principal subsidiary undertakings of the BHP Billiton Plc Group, none of which are held directly by BHP Billiton Plc (parent entity), are as follows:

			BHP Billiton Plc Group's effective interest		
Name	**Country of incorporation**	**Principal activity**	**28 June 2001 %**	30 June 2000 %	30 June 1999 %
Billiton Aluminium South Africa Limited	South Africa	Aluminium smelting	**100**	100	100
Rio Algom Limited	Canada	Holding company	**100**	–	–
Compania Minera Cerro Colorado Limitada	Chile	Copper	**100**	–	–
Pering Mine (Pty) Limited	South Africa	Lead and zinc mining	**100**	100	100
Billiton Metals Canada Inc	Canada	Copper and zinc mining	**100**	100	100
Ingwe Coal Corporation Limited	South Africa	Coal mining	**100**	100	100
Coal Operations Australia Limited	Australia	Coal mining	**100**	100	100
QNI Limited	Australia	Nickel refining	**100**	100	100
Cerro Matoso SA	Colombia	Nickel mining and ferro-nickel smelting	**100**	100	99
Samancor Limited	South Africa	Steel and Ferroalloys	**60**	60	60
Groote Eylandt Mining Co Pty Limited	Australia	Manganese mining	**60**	60	60
Tasmanian Electro Metallurgical Co Pty Limited	Australia	Manganese alloys	**60**	60	60
NAMD Inc	United States	Marketing and trading	**100**	–	–
Billiton Development BV	Netherlands	Exploration	**100**	100	100
Billiton Marketing BV	Netherlands	Marketing and trading	**100**	100	100
Billiton Marketing AG	Switzerland	Marketing and trading	**100**	100	–
Billiton Finance BV	Netherlands	Finance	**100**	100	100
Billiton International Services Limited	UK	Commercial and technical services	**100**	100	100
Billiton SA Limited	South Africa	Holding and service company	**100**	100	100
Billiton Company BV	Netherlands	Holding company	**100**	100	100
Billiton International Metals BV	Netherlands	Commercial and technical services	**100**	100	100

The BHP Billiton Plc Group comprises a large number of companies, all unlisted. The list above only includes those companies which principally affect the profit or net assets of the BHP Billiton Plc Group together with the principal intermediate holding companies.

Until the acquisition of its remaining minority interest in October 1998, the BHP Billiton Plc Group exercised influence over the operating and financial policies of Trans-Natal Coal Corporation Limited equivalent to that which the holder of the majority of voting shares would be able to exercise and up to that date, Trans Natal Coal Corporation Limited held more than 50% of the ordinary share capital and voting rights in Ingwe Coal Corporation Limited. Both companies were therefore subsidiary undertakings of BHP Billiton Plc (parent entity) throughout the period 1 July 2000 to 28 June 2001 and each of the two years ended 30 June 2000.

presented in US dollars and prepared in accordance with UK GAAP

Notes to the financial statements

Note 1. Principal Subsidiaries, Joint Ventures, Associates and Joint Arrangements (continued)

Joint ventures

The principal joint ventures of the BHP Billiton Plc Group are set out below. Where the BHP Billiton Plc Group's interest in a joint venture was held by a subsidiary undertaking which was not wholly owned by the BHP Billiton Plc Group, the subsidiary undertaking is indicated below:

			BHP Billiton Plc Group's effective interest		
Name	**Country of incorporation**	**Principal activity**	**28 June 2001 %**	30 June 2000 %	30 June 1999 %
Richards Bay Minerals (i)	South Africa	Titanium dioxide and mineral sands	**50**	50	50
Columbus Joint Venture (ii)	South Africa	Stainless steel production	**20**	20	20
Polyfos (Pty) Limited (ii)	South Africa	Manufacture of sodium tripolyphosphate	**–**	29	29
Carbones del Cerrejon SA	Colombia	Steaming coal	**33**	–	–
Cerrejon Zona Norte SA	Colombia	Steaming coal	**17**	–	–
Minera Antamina SA	Peru	Copper and zinc mining	**34**	–	–
Highland Valley Copper	Canada	Copper mining	**34**	–	–

Notes

(i) Richards Bay Minerals comprises two legal entities as follows:

			BHP Billiton Plc Group's effective interest		
Name	**Country of incorporation**	Principal **activity**	**28 June 2001 %**	30 June 2000 %	30 June 1999 %
Tisand (Pty) Limited	South Africa	Mineral sands mining	**51**	**51**	51
Richards Bay Iron and Titanium (Pty) Limited	South Africa	Titanium dioxide, zircon and rutile	**49**	**49**	49

In accordance with the shareholder agreement between the BHP Billiton Plc 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 Plc Group), Richards Bay Minerals functions as a single economic entity. The overall profit of Richards Bay Minerals is shared equally between the venturers.

(ii) Held by Samancor Limited in which the BHP Billiton Group has a 60% interest.

Associates

The principal associate of the BHP Billiton Plc Group is as follows:

			BHP Billiton Plc Group's effective interest		
Name	**Country of incorporation**	**Principal activity**	**28 June 2001 %**	30 June 2000 %	30 June 1999 %
Minera Alumbrera Limited	Argentina	Copper and gold mining	**25**	–	–

Proportionally included joint arrangements

The principal joint arrangements in which the BHP Billiton Plc Group has a participating interest and which are proportionally included in the financial statements are set out below. Where the BHP Billiton Plc Group's interest was held by a subsidiary undertaking which was not wholly owned by the BHP Billiton Plc Group, the subsidiary undertaking is indicated below:

Unless otherwise indicated, these financial statements are presented in US dollars and prepared in accordance with UK GAAP

Note 1. Principal Subsidiaries, Joint Ventures, Associates and Joint Arrangements (continued)

			BHP Billiton Plc Group's effective interest		
Name	**Country of incorporation**	**Principal activity**	**28 June 2001 %**	30 June 2000 %	30 June 1999 %
Worsley	Australia	Bauxite mining and alumina refinery	**86**	30	30
Alumar	Brazil	– Alumina refinery	**36**	36	36
		– Aluminium smelter	**46**	46	46
NV Billiton Maatschappij Surinam	Surinam	– Bauxite mining	**76**	76	76
		– Alumina refinery	**45**	45	45
Valesul Aluminio SA (a)	Brazil	Aluminium smelting	**41**	41	41
Mozal S.A.R.L.	Mozambique	Aluminium smelter	**47**	47	47
Middelburg Mine (b)	South Africa	Coal mining	**83**	83	83
Douglas Colliery (b)	South Africa	Coal mining	**83**	83	83
Matla Colliery (b)	South Africa	Coal mining	**–**	50	50
Richards Bay Coal Terminal Company Limited (b)	South Africa	Coal exporting	**40**	40	42
Rietspruit Mine (b)	South Africa	Coal mining	**50**	50	50
Bayswater Colliery (c)	Australia	Coal mining	**–**	83	78
Wallarah Colliery	Australia	Coal mining	**80**	80	80

Notes:

(a) The BHP Billiton Plc Group has a 45.5% economic interest in Valesul Aluminio SA.

(b) Held by Ingwe Coal Corporation Limited.

(c) During the year the outstanding interest was acquired by Coal Operations Australia Limited

The above joint arrangements are controlled jointly with one or more partners, generally with each partner supplying material, receiving processed resource and paying capital and operating costs in proportion to its interest.

Notes to the financial statements

Note 2. Exceptional Items

Exceptional items analysed by category:

Write down in carrying value of assets	Gross 2001 US$m	Tax 2001 US$m	Net 2001 US$m
Coal: Lake mines assets	**(26)**	**6**	**(20)**
Stainless steel: Columbus joint venture assets (a)	**(114)**	**30**	**(84)**
	(140)	**36**	**(104)**

Sale of expansion rights			
Aluminium: Mozal II (b)	**61**	**(21)**	**40**
	61	**(21)**	**40**

Merger transaction costs			
Central items	**(55)**	**-**	**(55)**
	(55)	**-**	**(55)**
Exceptional items	**(134)**	**15**	**(119)**

Exceptional items analysed by business segment:			
Aluminium	**61**	**(21)**	**40**
Coal	**(26)**	**6**	**(20)**
Steel and ferroalloys	**(114)**	**30**	**(84)**
Ferroalloys	**-**	**-**	**-**
Stainless steel	**(114)**	**30**	**(84)**
Central items	**(55)**	**-**	**(55)**
Exceptional items	**(134)**	**15**	**(119)**

(a) The writedown has been presented on a gross investment basis and does not include US$34 million attributable to equity minority interests.

(b) In addition to its 47% interest in the Mozal aluminium smelter, the BHP Billiton Plc Group owned 85% of any expansion rights. During the year it sold expansion rights of 38% to its partner for consideration valued at US$61 million (US$40 million net of tax). No expenditure had previously been specifically made to acquire the expansion rights and as such the net book value of the expansion rights was nil. Pursuant to the original shareholders agreement, under which the BHP Billiton Group entered into the Mozal joint venture with several other parties, the BHP Billiton Group was given 85% preferential rights in any future expansion phases of the development. These rights were granted to the BHP Billiton Group at no cost, that is without requiring the BHP Billiton Group to fund any special capital contributions or make any one-off payments.

There were no exceptional items for the years ending 30 June 2000 and 30 June 1999 respectively.

Note 3. Segmental Analysis by Business

(a) Turnover is attributable to the mining, refining, smelting, marketing and sale of metals, metal products, minerals and coal. Total turnover by business segment is as follows:

	BHP Billiton Plc Group (excluding JVAs)			Joint ventures and associates (JVAs)			BHP Billiton Plc Group		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Aluminium	**2,939**	2,323	2,073	**32**	34	87	**2,971**	2,357	2,160
Base metals	**273**	197	237	**90**	6	2	**363**	203	239
Coal	**1,268**	1,012	1,106	**83**	–	–	**1,351**	1,012	1,106
Nickel	**457**	497	287	**–**	–	–	**457**	497	287
Steel and ferroalloys	**926**	962	919	**199**	243	178	**1,125**	1,205	1,097
Ferroalloys	**926**	962	919	**43**	64	51	**969**	1,026	970
Stainless steel	**–**	–	–	**156**	179	127	**156**	179	127
Titanium minerals	**–**	–	–	**269**	276	285	**269**	276	285
Metals distribution	**797**	–	–	**–**	–	–	**797**	–	–
	6,660	4,991	4,622	**673**	559	552	**7,333**	5,550	5,174
Turnover from acquisitions included above:									
Base metals	**176**	–	100	**90**	–	–	**266**	–	100
Coal	**–**	–	–	**83**	–	–	**83**	–	–
Metals distribution	**797**	–	–	**–**	–	–	**797**	–	–

Turnover attributable to associates of US$44 million (2000: nil; 1999: nil) is included in Base metals.

(b) Profit on ordinary activities before taxation by business segment is as follows:

	BHP Billiton Plc Group (excluding JVAs)			Joint ventures and associates (JVAs)			BHP Billiton Plc Group		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Aluminium	**571**	430	273	**1**	1	2	**572**	431	275
Base metals	**41**	27	23	**25**	–	–	**66**	27	23
Coal	**217**	52	154	**14**	–	–	**231**	52	154
Nickel	**81**	140	(20)	**–**	–	–	**81**	140	(20)
Steel and ferroalloys	**94**	142	151	**(125)**	6	(12)	**(31)**	148	139
Ferroalloys	**94**	142	151	**–**	7	2	**94**	149	153
Stainless steel	**–**	–	–	**(125)**	(1)	(14)	**(125)**	(1)	(14)
Titanium minerals	**–**	–	–	**162**	155	168	**162**	155	168
Metals distribution	**23**	–	–	**–**	–	–	**23**	–	–
New business and technology	**(40)**	(52)	(59)	**–**	–	–	**(40)**	(52)	(59)
Central items	**(23)**	(58)	(35)	**–**	–	–	**(23)**	(58)	(35)
Operating profit	**964**	681	487	**77**	162	158	**1,041**	843	645
Merger transaction costs	**(55)**	–	–	**–**	–	–	**(55)**	–	–
Income from fixed asset investments	**18**	8	12	**–**	–	–	**18**	8	12
Net interest	**(117)**	(11)	(62)	**(4)**	(10)	(22)	**(121)**	(21)	(84)
Profit before taxation	**810**	678	437	**73**	152	136	**883**	830	573

Notes to the financial statements

Note 3. Segmental Analysis by Business (continued)

	BHP Billiton Group (excluding JVAs)			**Joint ventures and associates (JVAs)**			**BHP Billiton Plc Group**		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Operating profit from acquisitions included above:									
Base metals	**24**	–	11	**25**	–	–	**49**	–	11
Coal	**–**	–	–	**16**	–	–	**16**	–	–
Metals distribution	**23**	–	–	**–**	–	–	**23**	–	–

Operating profit attributable to associates of US$22 million (2000: US$ nil; 1999: US$ nil) is included in Base metals.

Included above are exceptional items totaling US$189 million (2000: US$ nil; 1999: US$ nil) which are described in Note 2.

(c) Turnover from Group production by business segment is as follows:

	BHP Billiton Plc Group (excluding JVAs)			**Joint ventures and associates (JVAs)**			**BHP Billiton Plc Group**		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Aluminium	**1,957**	1,664	1,422	**–**	6	23	**1,957**	1,670	1,445
Base metals	**260**	106	100	**90**	–	–	**350**	106	100
Coal	**1,168**	1,012	1,106	**83**	–	–	**1,251**	1,012	1,106
Nickel	**457**	497	287	**–**	–	–	**457**	497	287
Steel and ferroalloys	**907**	962	919	**172**	243	178	**1,079**	1,205	1,097
Ferroalloys	**907**	962	919	**16**	64	51	**923**	1,026	970
Stainless steel	**–**	–	–	**156**	179	127	**156**	179	127
Titanium minerals	**–**	–	–	**269**	276	285	**269**	276	285
	4,749	4,241	3,834	**614**	525	486	**5,363**	4,766	4,320
Turnover from acquisitions included above:									
Base metals	**176**	–	100	**90**	–	–	**266**	–	100
Coal	**–**	–	–	**83**	–	–	**83**	–	–

Turnover attributable to associates of US$44 million (2000: US$ nil, 1999: US$ nil) is included in Base metals.

Notes to the financial statements

Note 3. Segmental Analysis by Business (continued)

(d) Operating profit from Group production by business segment is as follows:

	BHP Billiton Plc Group (excluding JVAs)			Joint ventures and associates (JVAs)			BHP Billiton Plc Group		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Aluminium	**558**	409	267	**–**	1	2	**558**	410	269
Base metals	**41**	30	24	**25**	–	–	**66**	30	24
Coal	**209**	52	154	**16**	–	–	**225**	52	154
Nickel	**81**	140	(20)	**–**	–	–	**81**	140	(20)
Steel and ferroalloys	**94**	142	151	**(126)**	6	(12)	**(32)**	148	139
Ferroalloys	**94**	142	151	**(1)**	7	2	**93**	149	153
Stainless steel	**–**	–	–	**(125)**	(1)	(14)	**(125)**	(1)	(14)
Titanium minerals	**–**	–	–	**162**	155	168	**162**	155	168
New business and technology	**(40)**	(52)	(59)	**–**	–	–	**(40)**	(52)	(59)
Central items	**(23)**	(58)	(35)	**–**	–	–	**(23)**	(58)	(35)
	920	663	482	**77**	162	158	**997**	825	640

Operating profit from Group production by business segment is as follows:

	BHP Billiton Plc Group (excluding JVAs)			Joint ventures and associates (JVAs)			BHP Billiton Plc Group		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Operating profit from acquisitions included above:									
Base metals	**24**	–	11	**25**	–	–	**49**	–	11
Coal	**–**	–	–	**16**	–	–	**16**	–	–

Operating profit attributable to associates of US$22 million (2000: US$ nil; 1999: US$ nil) is included in Base metals.

Included above are exceptional items totaling US$14 million (2000: US$ nil; 1999: US$ nil) which are described in Note 2.

Notes to the financial statements

Note 4. Geographical Analysis

(a) Turnover by geographical market is as follows:

	BHP Billiton Plc Group (excluding JVAs)			Joint ventures and associates (JVAs)			BHP Billiton Plc Group		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Southern Africa	**749**	721	674	**60**	87	86	**809**	808	760
Europe	**2,723**	2,007	1,918	**213**	133	133	**2,936**	2,140	2,051
Latin America	**148**	114	161	**31**	25	4	**179**	139	165
Australia	**313**	286	231	**2**	3	10	**315**	289	241
Japan	**443**	452	554	**54**	42	29	**497**	494	583
South Korea	**242**	249	187	**26**	12	11	**268**	261	198
South East Asia	**381**	428	301	**65**	44	30	**446**	472	331
North America	**1,443**	656	482	**211**	213	249	**1,654**	869	731
Rest of World	**218**	78	114	**11**	–	–	**229**	78	114
	6,660	4,991	4,622	**673**	559	552	**7,333**	5,550	5,174

(b) Turnover by geographical origin is as follows:

	BHP Billiton Plc Group (excluding JVAs)			Joint ventures and associates (JVAs)			BHP Billiton Plc Group		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Southern Africa	**2,666**	2,794	2,679	**441**	525	486	**3,107**	3,319	3,165
Europe	**1,399**	706	871	**–**	–	–	**1,399**	706	871
Latin America	**890**	723	530	**127**	–	–	**1,017**	723	530
Australia	**838**	689	466	**–**	–	–	**838**	689	466
North America	**867**	79	76	**105**	34	66	**972**	113	142
	6,660	4,991	4,622	**673**	559	552	**7,333**	5,550	5,174

(c) Profit on ordinary activities before taxation, analysed by geographical origin, is as follows:

	BHP Billiton Plc Group (excluding JVAs)			Joint ventures and associates (JVAs)			BHP Billiton Plc Group		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m	**US$m**	US$m	US$m
Southern Africa	**460**	322	413	**38**	161	157	**498**	483	570
Europe	**156**	51	31	**–**	1	–	**156**	52	31
Latin America	**218**	239	48	**38**	–	–	**256**	239	48
Australia	**132**	64	(9)	**–**	–	–	**132**	64	(9)
North America	**18**	22	24	**3**	–	1	**21**	22	25
Rest of World	**(22)**	(17)	(20)	**–**	–	–	**(22)**	(17)	(20)
Operating profit	**964**	681	487	**77**	162	158	**1,041**	843	645
Merger costs	**(55)**	–	–	**–**	–	–	**(55)**	–	–
Income from other fixed asset investments	**18**	8	12	**–**	–	–	**18**	8	12
Net interest	**(117)**	(11)	(62)	**(4)**	(10)	(22)	**(121)**	(21)	(84)
Profit before taxation	**810**	678	437	**73**	152	136	**883**	830	573

Notes to the financial statements

Note 5. Operating Costs

	2001	2000 restated	1999 restated
	US$m	US$m	US$m
Change in stocks of finished goods and work in progress	**(69)**	(31)	5
Raw materials and consumables	**999**	827	832
Staff costs	**689**	627	604
Amortisation of goodwill and negative goodwill	**5**	3	(2)
Depreciation of tangible fixed assets	**503**	382	350
Impairment of tangible fixed assets	**34**	–	-
Net exploration charge	**23**	41	41
Loss on sale of fixed assets and joint ventures	**21**	2	2
Other income	**(81)**	(5)	(10)
Other operating charges	**3,574**	2,464	2,313
BHP Billiton Plc Group (excluding JV)	**5,698**	4,310	4,135
Joint ventures (JV)	**594**	397	394
Operating costs including joint ventures	**6,292**	4,707	4,529
Production units			
- BHP Billiton Plc Group (excluding JV)	**3,829**	3,578	3,352
- Joint ventures (JV)	**537**	363	328
Trading			
- BHP Billiton Plc Group (excluding JV)	**1,869**	732	783
- Joint ventures (JV)	**57**	34	66
Operating costs including joint ventures	**6,292**	4,707	4,529

Other operating charges include the following:	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m
Operating lease charges:			
Land and buildings	**9**	10	5
Other lease charges	**18**	5	8

Audit fees for the period amounted to US$5 million (2000: US$3 million; 1999: US$4 million) and amounts paid to auditors for other services amounted to US$20 million (2000: US$9 million; 1999: US$6 million).

Operating costs for the period 1 July 2000 to 28 June 2001 include US$926 million in respect of subsidiaries acquired during the year, impacting as follows: change 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 and negative goodwill US$2 million, depreciation of tangible fixed assets US$55 million, net exploration charge US$2 million and other operating charges US$687 million.

Note 6. Net Interest and Similar Items Payable/(Receivable)

		2001 US$m	2000 restated US$m	1999 restated US$m
On bank loans and overdrafts		**207**	132	111
On all other loans		**95**	49	49
Finance lease and hire purchase interest		**6**	6	6
		308	187	166
Dividends on subsidiary company preference shares		**20**	13	4
Discounting on provisions		**11**	12	15
		339	212	185
Less: amounts capitalised		**(24)**	(55)	(22)
		315	157	163
Share of interest of joint ventures		**28**	26	22
Share of interest of associates		**7**	–	–
		350	183	185
Other interest receivable		**(86)**	(68)	(85)
Exchange differences on net debt	-BHP Billiton Plc Group (excluding JV)	**(112)**	(78)	(16)
	-Joint ventures (JV)	**(31)**	(16)	–
Net interest and similar items payable		**121**	21	84

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

Cumulative unrealised exchange gains of US$383 million have been recognised as at 28 June 2001 (2000: US$309 million; 1999: US$237 million).

Note 7. Employees

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

	2001 No.	2000 No.	1999 No.
Aluminium	**5,045**	4,615	4,658
Base metals	**1,335**	443	494
Coal	**11,613**	13,749	15,196
Nickel	**1,342**	1,203	1,139
Steel and ferroalloys	**7,092**	9,291	10,721
Metals distribution	**1,807**	–	–
Other	**493**	510	751
	28,727	29,811	32,959

The aggregate payroll costs of these employees were as follows:

	2001 US$m	2000 restated US$m	1999 restated US$m
Wages, salaries and redundancies	**598**	554	537
Social security costs	**34**	17	16
Pension and other post-retirement benefit costs (see Note 14)	**48**	46	51
Employee share awards	**9**	10	–
	689	627	604

Note 8. Tax on profit on ordinary activities

	2001 US$m	2000 restated US$m	1999 restated US$m
(a) Analysis of charge in the period			
UK Taxation			
Corporation tax at 30% (2000: 30%; 1999: 30.75%)			
- Current	**146**	105	100
less double taxation relief	**(127)**	(100)	(99)
	19	5	1
Australian Taxation			
Corporation tax at 34% (2000: 36%; 1999: 36%)			
- Current	**35**	7	10
- Deferred	**(44)**	(31)	(3)
	(9)	(24)	7
South African taxation			
Corporation tax at 30% (2000: 30%; 1999: 30%)			
- Current	**110**	81	36
- Deferred	**(40)**	(25)	4
	70	56	40
Other overseas taxation			
- Current	**124**	105	40
- Deferred	**20**	8	(4)
	144	113	36
Share of joint ventures' tax charge			
- Current	**54**	44	48
- Deferred	**(31)**	4	7
	23	48	55
Share of associate's current tax charge	**3**	–	–
Withholding tax and secondary taxes on companies	**46**	24	2
Other taxation	**–**	1	2
	296	223	143
Made up of:			
Aggregate current tax			
- BHP Billiton Plc Group (excluding JVA)	**334**	223	91
- Joint ventures and associates (JVA)	**57**	44	48
	391	267	139
Aggregate deferred tax			
- BHP Billiton Plc Group (excluding JVA)	**(64)**	(48)	(3)
- Joint ventures and associates (JVA)	**(31)**	4	7
	(95)	(44)	4
	296	223	143

Note 8. Tax on profit on ordinary activities (continued)

	2001 **US$m**	2000 restated US$m	1999 restated US$m
(b) Factors affecting tax charge for the period			
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	**883**	830	573
Tax on profit at UK rate of 30% (2000: 30% ; 1999: 30.75%)	**265**	249	176
Permanent Differences			
Amounts over provided in prior years	**(4)**	(4)	-
Recognition of prior year tax losses	**(8)**	(3)	-
Non-deductible accounting depreciation and amortisation	**17**	–	-
Non tax effected operating losses	**53**	4	27
Tax rate differential on non-UK income	**(23)**	(2)	(5)
Foreign expenditure including exploration not currently deductible	**7**	11	-
South African secondary tax on companies	**46**	24	-
Non-deductible merger costs	**18**	–	-
Tax rate changes	**–**	(31)	(21)
Income tax audit	**–**	(26)	-
Sale of tax certificates	**-**	-	(25)
BFBV tax ruling	**-**	-	(25)
Other	**(75)**	1	16
Total permanent differences	**31**	(26)	(33)
Deferred tax movements taken on profit and loss accounts			
Capital allowances for the period less depreciation	**87**	(57)	6
Employee entitlements	**2**	2	(13)
Restoration and rehabilitation	**7**	12	(7)
Other provisions	**2**	10	5
Tax losses	**(35)**	48	(3)
Other	**32**	29	8
Total timing differences	**95**	44	(4)
Current tax charge	**391**	267	139
less deferred tax movements taken to the profit and loss account	**(95)**	(44)	4
Tax on profit on ordinary activities	**296**	223	143

The effective tax rate is lower than the UK statutory rate principally due to non-taxable income (particularly exchange gains), settlement of a tax dispute in Australia, the release of deferred tax arising from the rate change in Australia and partial provisioning for deferred taxation, net of secondary tax on companies payable on dividends paid from South African subsidiaries.

Note 8. Tax on profit on ordinary activities (continued)

The BHP Billiton Plc Group's effective rate of tax for the year increased in comparison to the prior year principally as a result of Secondary Tax on Companies offset by the incidence of large one-off adjustments.

(c) Factors that may affect future tax charges

Whilst the BHP Billiton Plc Group's functional currency is the US dollar, the majority of its subsidiaries' tax liabilities are calculated, and paid, in the relevant local currency. In recent periods, a number of these currencies – in particular the South African rand – have fallen in value against the dollar. This has had a significant impact on the BHP Billiton Plc Group's effective rate of tax and it is anticipated that further movements in exchange will also impact on the future tax charge.

If expedient, for instance to crystallise some of the benefits of the rand weakening against the US dollar, dividends may be repatriated from the BHP Billiton Plc Group's South African operations. This will result in a liability to secondary tax on companies, thereby increasing the BHP Billiton Plc Group's overall tax charge.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, joint ventures and associates as there are no specific plans for their remittance.

The BHP Billiton Plc Group has significant operations in areas where tax rates are higher than the UK tax rate of 30%. However, this is to some extent counterbalanced by certain tax incentives from which the BHP Billiton Plc Group benefits and some operations in low-taxed regimes. The future BHP Billiton Plc Group tax charge will be influenced by the geographical composition of its profits.

The BHP Billiton Plc Group holds a number of assets at values greater than their respective tax costs. Were some/all of these to be sold, there would be a tax liability. Currently, there are no specific plans for divestments and it is not possible to quantify the contingent liability as different methods of disposal would impact on the nature of the tax cost eg sale of a fixed asset may result in the recoupment of allowances while the sale of the company housing the same asset may result in a liability to capital gains tax.

Capital gains tax is to be introduced in South Africa with effect from 1 October 2001. This will have the effect of reducing the incidence of one-off tax-free gains in the future.

The BHP Billiton Plc Group has tax losses in various jurisdictions that have not been recognised for accounting purposes. The tax value of these is estimated to be approximately $88m. However, of these approximately $56m may be restricted or forfeited due to anti-avoidance measures triggered by the merger between BHP Ltd and Billiton Plc on 29 June 2001.

	2001 **US$m**	2000 restated US$m	1999 restated US$m
(d) Provision for deferred income taxes			
Accelerated capital allowances	**535**	538	507
Employee entitlements	**(32)**	(21)	(17)
Restoration and rehabilitation	**(18)**	(11)	(9)
Other provisions	**(20)**	(12)	(7)
Tax losses	**(31)**	(48)	-
Other	**(1)**	22	15
Provision for deferred tax	**433**	468	489
Provision at start of period	**468**	489	465
Acquisition of subsidiary	**29**	27	23
Deferred tax credit in profit and loss account for period (refer (a))	**(64)**	(48)	(3)
Exchange loss taken to reserves	-	-	4
Provision at end of period	**433**	468	489
This provision is included within:			
Provision for liabilities and charges	**433**	468	489

Note 9. Dividends

Preference shares			
5.5% dividend on 50,000 preference shares of £1 each (2000 and 1999: 5.5%)	**–**	–	–
Ordinary shares			
First interim dividend paid of 4 cents per share (2000: 3.75 cents; 1999: 3.5 cents)	**92**	78	73
Second interim, declared dividend of 8 cents per share (2000 and 1999: nil)	**186**	–	–
Proposed final dividend of nil cents per share (2000: 7.5 cents; 1999: 7.0 cents)	**–**	154	145
	278	232	218

Dividends payable in the consolidated profit and loss account are stated net of amounts which are not payable outside the BHP Billiton Plc Group, under the terms of the share repurchase scheme and the Billiton Employee Share Ownership Trust.

Note 10. Earnings per share

	2001	2000 restated	1999 restated
Basic earnings per share (US$ cents)			
Excluding exceptional items (a)	**31**	27	18
Including exceptional items	**27**	27	18
Diluted earnings per share (US$ cents)			
Excluding exceptional items (a)	**31**	27	18
Including exceptional items	**27**	27	18
Earnings (US$ million)			
excluding exceptional items	**693**	566	382
including exceptional items	**608**	566	382
Weighted average number of shares (millions)			
basic earnings per share	**2,255**	2,076	2,108
diluted earnings per share	**2,269**	2,076	2,108

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

Number of Shares (millions)	**2001**	2000 restated	1999 restated
Basic earnings per share	**2,255**	2,076	2,108
BHP Billiton Plc employee share awards	**14**	–	–
Diluted earnings per share	**2,269**	2,076	2,108

(a) Whilst the presentation of earnings per share excluding exceptional items is acceptable under UK GAAP, this presentation is not permitted under US GAAP. Profit and earnings per share before exceptional items are not measures of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP as a measurement of the BHP Billiton Group's profitability or liquidity. All registrants do not calculate profit and earnings per share before exceptional items in the same manner, and accordingly, profit and earnings per share before exceptional items may not be comparable with other registrants. Refer to note 2 for details of exceptional items excluded.

Note 11. Financial Instruments

Primary responsibility for identification and control of financial risks rests with the Financial Risk Management Committee ("FRMC") of the BHP Billiton Plc Group.

The FRMC, which meets monthly, receives reports on, amongst other matters: financing requirements for both 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 receives reports on the various risk exposures of the BHP Billiton Plc Group.

On the basis of this information, the FRMC determines the degree to which it is 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 can be mitigated by insurance then the FRMC will decide whether such insurance is appropriate and cost-effective. Its decisions may be implemented directly by BHP Billiton Plc Group management or may be delegated from time to time to be implemented by the management of the production operations.

The BHP Billiton Plc Group's projects are sufficiently diverse that their impact on the BHP Billiton Plc Group's overall risk profile can be significant and it is not appropriate to establish umbrella policies in respect of risks. The BHP Billiton Plc Group's objective therefore is to maintain a flexible and responsive approach to risk management to deal with this fluidity.

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

It has been, throughout the period under review, the BHP Billiton Plc Group's policy that no trading in financial instruments or commodity contracts shall be undertaken.

Interest rate risk

Corporate borrowing facilities and surplus funds 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.

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 January 2001 a further US$1 billion facility was arranged to finance the additional acquisition in Worsley. In this overall context it has not been necessary to actively manage the BHP Billiton Plc Group's short-term liquidity risk and the BHP Billiton Plc Group has been 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 is security over the asset and only counterparties of high credit standing are used. Sufficient liquid funds are maintained to meet daily cash requirements.

Currency risk

The BHP Billiton Plc Group has 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 require funds to be maintained in currencies other than the functional currency of operations; and
- translational exposures in respect of investments in overseas operations which have functional currencies other than dollars. When not in conflict with exchange control requirements, the BHP Billiton Plc Group's policy is to minimise translational exposure generally through borrowing in the relevant currency. On acquisition, the BHP Billiton Plc Group will generally look to ensure that this policy is 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 is reviewed regularly by the FRMC and general guidance on the use of hedges, using foreign exchange contracts or options, is updated regularly for implementation at production unit level. No fixed policy applies and the FRMC takes all current factors into account in its updates. Any individually significant non-functional currency expenditure, such as major capital projects, is considered separately by the FRMC.

Note 11. Financial Instruments (continued)

Commodity price risk
The BHP Billiton Plc Group is exposed to movements in the prices of the products it produces which are generally sold as commodities on the world market. The BHP Billiton Plc Group does, however, have a natural hedge against movements in the aluminium price, as a proportion of its operating costs are linked to the LME aluminium price.

Strategic hedging of the price of the BHP Billiton Plc Group's production or operating costs is undertaken from time to time. All such hedging programmes are approved by the FRMC. In the past four years there have been two such significant programmes. Firstly, in anticipation of short-term weakness in the aluminium price, approximately 170,000 tonnes of aluminium (20 per cent of annual production) was sold forward in November 1997 at a price in excess of US$1,600/tonne for delivery between July 1998 and February 1999. Secondly, in anticipation of an increase in the aluminium price from historically low levels and in order to fix the price of a portion of input costs which are LME price related, 96,000 tonnes of aluminium was bought forward at a price of US$1,234/tonne for delivery between July 1999 and May 2000.

The following describes the BHP Billiton Plc Group's financial instruments and how these 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 Plc Group as at 28 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	Fixed rate 1999 US$m	Floating rate 1999 US$m	Interest-free 1999 US$m	Total 1999 US$m
Currency												
US $	**602**	**3,142**	**-**	**3,744**	252	845	10	1,107	162	324	12	498
SA Rand	**195**	**367**	**108**	**670**	310	312	210	832	435	339	45	819
Australian $	**14**	**11**	**-**	**25**	11	39	-	50	51	82	-	133
Canadian $	**232**	**-**	**-**	**232**	-	-	-	-	-	-	-	-
Other	**5**	**4**	**-**	**9**	6	4	-	10	4	10	-	14
	1,048	**3,524**	**108**	**4,680**	579	1,200	220	1,999	652	755	57	1,464

The figures shown in the table above take into account various interest rate and currency swaps used to manage the interest rate and currency profile of financial liabilities. In particular, the financing for the construction of Billiton Aluminium South Africa's Hillside smelter was raised in a variety of currencies, including the US dollar and the Deutschmark. In order to meet the then South African exchange control regulations, forward foreign currency contracts were entered into which resulted in the borrowings being, in effect, converted into South African rand.

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.

On 23 December 1994, the BHP Billiton Plc Group entered into an interest rate cap agreement maturing 21 September 2001. As at 28 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.

presented in US dollars and prepared in accordance with UK GAAP

Note 11. Financial Instruments (continued)

The weighted average interest rate of fixed rate liabilities and the weighted average maturity period of fixed rate and interest-free liabilities respectively are as follows:

	Weighted average fixed interest rate % 2001	**Weighted average period for which rate is fixed Years 2001**	**Weighted average period to maturity of the interest-free liabilities Years 2001**	Weighted average fixed interest rate % 2000	Weighted average period for which rate is fixed Years 2000	Weighted average period to maturity of the interest-free liabilities Years 2000	Weighted average fixed interest rate % 1999	Weighted average period for which rate is fixed Years 1999	Weighted average Period to maturity of the interest-free liabilities Years 1999
Currency									
US $	**8**	**6**	**–**	9	7	7	7	4	8
SA Rand	**13**	**7**	**14**	12	6	1	13	6	1
Australian $	**10**	**2**	**–**	10	5	–	10	5	–
Canadian $	**6**	**1**	**–**	–	–	–	–	–	–
Other	**7**	**10**	**–**	7	9	–	7	10	–
	8	**5**	**14**	11	6	2	11	5	2

Notes to the financial statements

Note 11. Financial Instruments (continued)

Financial assets – interest rate and currency profile

The currency and interest rate profile of the BHP Billiton Plc Group's financial assets 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	Fixed rate 1999 US$m	Floating rate 1999 US$m	Interest-free 1999 US$m	Total 1999 US$m
Currency												
US $	**71**	**762**	**428**	**1,261**	–	726	60	786	37	394	6	437
SA Rand	**27**	**107**	**242**	**376**	25	132	227	384	–	150	234	384
Australian $	**–**	**30**	**–**	**30**	–	18	–	18	–	15	–	15
Canadian $	**–**	**5**	**20**	**25**	–	21	20	41	–	–	19	19
Other	**–**	**9**	**–**	**9**	–	18	–	18	–	29	1	30
	98	**913**	**690**	**1,701**	25	915	307	1,247	37	588	260	885

Included in the above interest rate profile is US$12 million (2000: US$25 million; 1999: US$nil) of fixed interest bearing loans to joint ventures, US$110 million (2000: US$nil; 1999: US$ nil) of floating interest bearing loans to joint ventures and US$67 million (2000: US$ nil; 1999: US$ nil) of floating interest bearing loans to associates . The remaining US$215 million (2000: US$210 million; 1999: US$224 million) of loans to joint ventures are interest free and have no redemption date. These loans and fixed asset investments of US$420 million (2000: US$78 million; 1999: US$74 million) are included in the above interest rate profile.

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

Surplus 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. Limits are in place by bank and the maturity profile of the books was restricted to a maximum of three months.

The US$850 million proceeds from the equity fundraising in September 2000 was used to fund acquisitions during the current year. The cash received from the IPO of Billiton Plc (US$1.5 billion) in 1997 was utilised to fund Group companies and projects, with surpluses deposited in accordance with the investment policy approved by the Board.

Borrowing facilities

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

	2001 US$m	2000 US$m	1999 US$m
Expiring in one year or less	**52**	76	97
Expiring between two and five years	**1,350**	1,172	1,358
Expiring in more than five years	**98**	–	–
	1,500	1,248	1,455

Hedging of financing

Forward foreign currency swaps

Included in the book value of forward foreign currency contracts is US$62 million (2000: US$60 million; 1999: US$63 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; 1999: US$341 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 has been calculated by reference to the forward rates that may be available if similar contracts were to be negotiated today.

Note 11. Financial Instruments (continued)

Hedging of financing (continued)

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; 1999: US$52 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, 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 exchange contracts US$m	Finance lease swap US$m
Unrecognised gains at 1 July 1999	41	15
Gains arising in previous years recognised in the period	(4)	(2)
Gains arising before 30 June 1999 not included in the result for the year	37	13
Decrease in gains arising in previous years	(23)	(2)
Unrecognised gains at 1 July 2000	14	11
Gains arising in previous years recognised in the period	(4)	(2)
Gains arising before 30 June 2000 not included in the results for the period	10	9
Gains/losses arising in the period and not recognised	3	(1)
Unrecognised gains at 28 June 2001	**13**	**8**
of which:		
Gains expected to be recognised within one year	3	2
Gains expected to be recognised after one year	10	6
	13	**8**

Other hedging

As described above, from time to time the BHP Billiton Plc 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.
- Finance leases. The exposure arising from fluctuations in interest rates is hedged for some finance lease repayments.

The BHP Billiton Plc Group's marketing and trading operation sells aluminium on the open market at prices which will be set based on the LME price in the month prior to delivery. To reduce the exposure to movements in the LME price, a matching forward sale contract is entered into on the LME, locking in the price at the date on which the sale is contracted.

On maturity, the gains and losses on forward currency contracts used to hedge capital expenditure will be included as part of the cost of the assets under construction. These gains and losses will be charged to the profit and loss account through the depreciation charge over the life of the relevant asset.

Note 11. Financial Instruments (continued)

Hedging of financing (continued)
Under the BHP Billiton Plc Group's accounting policy, foreign currency balances which are hedged using forward foreign currency contracts are translated at the exchange rate inherent in the contracts. Consequently, the relevant asset or liability effectively has the gain or loss on the hedging instrument embedded in its carrying value. Such gains and losses are treated as deferred until the underlying position matures.

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 1999	21	(16)	5
(Gains)/losses arising in previous years recognised in the period	(18)	12	(6)
Gains arising in previous years recognised in fixed assets in the period	(3)	–	(3)
Gains/(losses) arising before 30 June 1999 not included in the result for the year	–	(4)	(4)
Gains/(losses) arising in the year and not recognised	2	(4)	(2)
Unrecognised gains/(losses) at 1 July 2000	2	(8)	(6)
(Gains)/losses arising in previous years recognised in the period	(1)	4	3
Gains/(losses) arising before 30 June 2000 not included in the result for the period	1	(4)	(3)
Gains/(losses) arising in the period and not recognised	7	(10)	(3)
Unrecognised gains/(losses) at 28 June 2001	**8**	**(14)**	**(6)**
of which:			
Gains/(losses) expected to be recognised within one year	7	(11)	(4)
Gains/(losses) expected to be recognised after one year	1	(3)	(2)
	8	**(14)**	**(6)**

The unrecognised losses relate to currency hedges taken out by QNI predominantly prior to its acquisition by Billiton. These hedges were taken out to cover forward operating costs denominated in Australian dollars over a period of up to four years.

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

	Gains US$m
Deferred gains at 1 July 1999	8
Gains arising in previous years recognised in the period	(3)
Gains arising in previous years recognised in fixed assets in the period	(4)
Gains arising before 30 June 1999 not included in the result for the year	1
Gains arising in the year and not recognised	–
Deferred gains at 1 July 2000	1
Gains arising in previous years recognised in the period	(1)
Deferred gains at 28 June 2001	–

Note 12. Reconciliation of movements in shareholders' funds

	BHP Billiton Plc Group			BHP Billiton Plc (parent entity)		
	2001	2000 restated	1999 restated	**2001**	2000 restated	1999 restated
	US$m	US$m	US$m	**US$m**	US$m	US$m
Profit for the financial period	**608**	566	382	**197**	182	204
Other recognised gains and losses	**–**	(7)	(14)	–	–	–
Total recognised gains	**608**	559	368	**197**	182	204
Dividends	**(278)**	(232)	(218)	**(278)**	(240)	(224)
Issue of ordinary shares for cash	**656**	–	–	**656**	–	–
Share repurchase scheme	**194**	(2)	(116)	**–**	–	–
Transfer to profit and loss account for year (goodwill)	**4**	–	–	**–**	–	–
Net movement in shareholders' funds	**1,184**	325	34	**575**	(58)	(20)
Shareholders' funds at start of period as restated	**4,759**	4,434	4,400	**2,302**	2,360	2,380
Shareholders' funds at end of period	**5,943**	4,759	4,434	**2,877**	2,302	2,360

The prior year adjustment arises from the implementation during the period of revised accounting policies for deferred tax and exploration.

The Company 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. During the period 1 July 2000 to 28 June 2001, 53,884,402 shares were disposed of for proceeds of US$194 million, At 30 June 2000, 53,884,402 (1999: 53,298,029) ordinary shares were held at an aggregate purchase price of US$118 million (2000: US$118 million; 1999: US$116 million), which was funded by the 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 Group. Normally, the United Kingdom 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 are such that the shares owned by Strand Investment Holdings Limited were effectively repurchased by the Group and so did not constitute an asset of the Group and that to have shown them as such would have failed to show a true and fair view. During the period 1 July 2000 to 28 June 2001 these shares were reissued and no shares were held by Strand Investment Holdings Limited at that date. Strand Investment Holdings Limited was consolidated as part of the BHP Billiton Group in each of the years described.

Note 13. Commitments

	2001	2000	1999
		restated	restated
	US$m	US$m	US$m
Contracted but not provided for	**311**	230	337

The BHP Billiton Plc Group has commitments under operating leases to make payments totaling $US25 million for the next year as follows:

	2001	2000	1999
		restated	restated
	US$m	US$m	US$m
Land and buildings			
Leases which expire:			
Within one year	**3**	4	4
Between two and five years	**5**	8	13
Over five years	**1**	3	13
	9	15	30
Other operating leases			
Leases which expire:			
Within one year	**6**	2	2
Between two and five years	**6**	4	4
Over five years	**4**	5	1
	16	11	7

Note 14. Pensions and post-retirement medical benefits

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

The pension charge for the year is as follows:

	2001	2000 restated	1999
	US$m	US$m	US$m
Defined contribution schemes	17	21	20
Industry-wide schemes	12	13	12
Defined benefit schemes			
regular cost	12	8	11
variation cost	2	(1)	(2)
	43	41	41

To the extent that at any point in time there is a difference between pension cost and contributions paid, a prepayment or creditor is raised. The accumulated difference provided in the balance sheet at 28 June 2001 is US$nil (2000: a creditor of US$8million; 1999: a creditor of US$4 million).

The assets of the defined contribution schemes are held separately from BHP Billiton Plc (parent entity) 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 from BHP Billiton Plc (parent entity) 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 percentage of payroll.

Of the significant funded schemes there were 11 with funding levels ranging from 71% to 167%. These funding levels are based on a mix of market values and actuarial values of the assets. At the dates of the most recent actuarial valuations, the combined market value of these schemes' assets was US$449 million.

For the three 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:

	Rio Algom Salaried Plan	Rio Algom Inc Metals Distribution Retirement Plan	Billiton International Metals Pension Fund
Country	Canada	US	Netherlands
Date of valuation	31 December 1999	31 December 1999	31 December 2000
Investment return	6.5%	7.75%	4%
Salary growth	5.0%	5%	0%
Pension increases	0%	0%	0%
Asset valuation method	3 year trend value	Market value	Market value
Market value of fund (US$ million)	77	66	54
Actuarial value of fund (US$ million)	77	66	54
Funding level	135%	104%	115%

Note 14. Pensions and post-retirement medical benefits (continued)

The BHP Billiton Plc 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$5m including exchange differences (2000: US$5m) net of exchange gains of US$9m (2000: US$11m). 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 percentage 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 SSAP 24 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 SSAP 24 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 SSAP 24 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 (parent entity) is required to solely provide balance sheet disclosures illustrating the pensions assets and liabilities that would have been booked had the measurement principles of FRS 17 been applied. The new disclosure requirements under FRS 17 are as follows.

The BHP Billiton Plc Group operates a number of defined benefit schemes in Canada, US, Europe and South Africa. Full actuarial valuations were carried out as at 28 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:

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

The fair market values of the assets of the main defined benefit schemes at 28 June 2001 were (US$m):

	Canada	US	Europe	South Africa
Bonds	56	29	25	26
Equities	43	45	20	72
Property	0	0	0	0
Cash and net current assets	15	3	3	15
Total assets	114	77	48	113
Actuarial liabilities	86	81	75	71
Unrecognised surplus	12	0	0	0
Surplus (deficit) recognised	16	(4)	(27)	42
Related deferred tax (liability)/asset	(7)	1	8	(13)
Net pension asset (liability)	9	(3)	(19)	29

Note 14. Pensions and post-retirement medical benefits (continued)

The BHP Billiton Plc 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 28 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 28 June 2001 were (US$m):

	South Africa	US	Canada	Suriname
Actuarial 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)

Note 15. Reconciliation of operating profits to net cash inflow from operating activities

	2001	2000 restated	1999 restated
	US$m	US$m	US$m
Operating profit	**964**	681	487
Merger costs	**(55)**	–	–
Depreciation and amortisation	**542**	385	351
Net exploration charge	**23**	41	41
Executive share award costs	**9**	10	4
Loss on sale of fixed assets	**21**	2	2
(Increase) in stocks	**(5)**	(13)	3
(Increase)/decrease in debtors	**(39)**	48	(23)
(Decrease) in creditors	**(70)**	(74)	(39)
(Decrease) in provisions	**(21)**	(40)	(31)
Net cashflow from BHP Billiton Plc Group operating activities	**1,369**	1,040	795

Note 16. Returns on investments and servicing of finance

	2001	2000 restated	1999 restated
	US$m	US$m	US$m
Interest paid	**(279)**	(192)	(176)
Dividends paid on subsidiary company preference shares	**(10)**	(11)	–
Interest received	**79**	60	78
Other dividends received	**25**	10	12
Dividends paid to minorities	**(31)**	(12)	(40)
Net cashflow from returns on investments and servicing of finance	**(216)**	(145)	(126)

Notes to the financial statements

Note 17. Capital expenditure and financial investment

	2001 US$m	2000 restated US$m	1999 restated US$m
Purchases of tangible fixed assets	**(2,025)**	(873)	(664)
Exploration expenditure	**(65)**	(45)	(51)
Disposals of tangible fixed assets	**42**	34	42
Purchase of investments	**(374)**	(42)	(61)
Sale of investments	**22**	30	155
Net cashflow for capital expenditure and financial investment	**(2,400)**	(896)	(579)

Included within purchases of tangible fixed assets is US$1,482 million relating to the additional 56 per cent interest in Worsley alumina refinery and bauxite mine.

Note 18. Acquisitions and disposals

	2001 US$m	2000 restated US$m	1999 restated US$m
Investment in subsidiaries	**(1,187)**	(8)	(1,116)
Sale of subsidiaries	**4**	–	33
Cash/overdraft acquired with subsidiary	**102**	–	(16)
Cash transferred on disposal	**(4)**	–	(25)
Investment in joint ventures	**(418)**	(34)	(32)
Disposal of joint venture	**12**	8	1
Net cashflow from acquisitions and disposals	**(1,491)**	(34)	(1,155)

Note 19. Management of liquid resources

	2001 US$m	2000 restated US$m	1999 restated US$m
Decrease/(increase) in money market deposits	**365**	(232)	1,394
Net cash inflow/(outflow) from management of liquid resources	**365**	(232)	1,394

Note 20. Financing

	2001 US$m	2000 restated US$m	1999 restated US$m
Debt due within one year – repayment of loans	**(424)**	(218)	(405)
Debt due within one year – drawdowns	**763**	275	136
Debt due after one year – repayment of loans	**(378)**	(38)	(466)
Debt due after one year – drawdowns	**2,047**	619	463
Capital element of finance lease payments	**(5)**	(9)	(10)
Subsidiary company preference shares	**–**	16	99
Net cash inflow from debt	**2,003**	645	(183)
Share repurchase scheme	**194**	(2)	(116)
Issue of shares	**656**	–	–
Net cashflow from financing	**2,853**	643	(299)

Note 21. Analysis of net debt

	At 30 June 1999 US$m	Cash flow US$m	Other non-cash movements US$m	Exchange movements US$m	At 30 June 2000 US$m	Acquisitions & disposals US$m	Cash flow US$m	Other non-cash movements US$m	Exchange movements US$m	**At 28 June 2001 US$m**
Cash at bank and in hand	202	104	–	(9)	297	127	136	–	(17)	**543**
Overdrafts	(109)	7	–	6	(96)	(29)	(125)	–	–	**(250)**
	93	111	–	(3)	201	98	11	–	(17)	**293**
Subsidiary company preference shares	(99)	(16)	–	13	(102)	–	–	–	16	**(86)**
Finance lease obligations	(52)	9	–	5	(38)	–	5	–	6	**(27)**
Other debt due within one year	(227)	(57)	(85)	6	(363)	(365)	(339)	(28)	40	**(1,055)**
Other debt due after one year	(965)	(581)	92	64	(1,390)	(300)	(1,669)	28	76	**(3,255)**
	(1,343)	(645)	7	88	(1,893)	(665)	(2,003)	–	138	**(4,423)**
Money market deposits	278	232	–	(1)	509	–	(365)	–	–	**144**
Total	(972)	(302)	7	84	(1,183)	(567)	(2,357)	–	121	**(3,986)**

The balance sheet movement in cash including money market deposits is as follows:

Cash at bank and in hand	202	104	–	(9)	297	127	136	–	(17)	**543**
Money market deposits	278	232	–	(1)	509	–	(365)	–	–	**144**
	480	336	–	(10)	806	127	(229)	–	(17)	**687**

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

Note 22. Related parties

BHP Billiton Plc Group companies have trading relationships with a number of joint ventures of the BHP Billiton Plc Group. In some cases there are contractual arrangements in place which require BHP Billiton Plc Group companies to source supplies from such undertakings or which require such undertakings to source supplies from BHP Billiton Plc Group companies. In the period 1 July 2000 to 28 June 2001, sales made by BHP Billiton Plc Group entities to such joint ventures amounted to US$266 million (2000: US$331 million; 1999: US$313 million) and purchases amounted to US$2 million (2000: US$2 million; 1999: US$17 million).

All transactions with joint ventures are undertaken in the normal course of business and under normal commercial terms and conditions.

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

Both Mr Gilbertson and Mr Davis have exercised the options granted to them.

Note 23. Contingent liabilities

BHP Billiton Plc Group

Samancor, together with its joint venture partners, has guaranteed the external borrowings of the Columbus joint venture which, at 28 June 2001, amounted to US$193 million (2000: US$245 million; 1999: US$288 million) in total. The BHP Billiton Plc Group has given guarantees to Compañía Minera Antamina joint venture and Minera Alumbrera Limited, an associate, at 28 June 2001 of US$370 million (2000: US$ nil; 1999: US$ nil) and US$5 million (2000: US$ nil; 1999: US$ nil) respectively. Other guarantees given by BHP Billiton Plc Group companies amounted to US$143 million (2000: US$90 million; 1999: US$80 million).

BHP Billiton Plc (parent entity)

BHP Billiton Plc (parent entity) has guaranteed financing facilities available to subsidiaries. As at 28 June 2001 such facilities totalled US$2,750 million (2000: US$1,500 million; 1999: US$1,500 million) of which US$1,400 million (2000: US$350 million; 1999: US$285 million) was drawn.

Under the terms of a deed poll guarantee the BHP Billiton Plc (parent entity) has guaranteed certain current and future liabilities of BHP Billiton Limited (parent entity). At 28 June 2001 the guaranteed liabilities amounted to US$3,267 million (2000: US$nil; 1999: US$nil).

Notes to the financial statements

Note 24. Summary of differences between UK and US generally accepted accounting principles ("GAAP")

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

The following is a summary of the material adjustments to attributable profit (net income) and comprehensive income which would have been required to adjust for significant differences between UK and US GAAP.

Reconciliation of consolidated profit and loss account	Note	**2001**	2000	1999
		US$m	US$m	US$m
Attributable profit as reported under UK GAAP (a)		**608**	566	382
US GAAP adjustments:				
Business combinations	(i)	**(78)**	(51)	(57)
Pensions	(ii)	**(17)**	1	5
Post retirement benefits other than pensions	(iii)	**7**	(10)	–
Hedge accounting	(iv)	**(13)**	3	18
Synthetic accounting	(v)	**1**	(29)	(40)
Investments	(vi)	**(1)**	–	9
Start-up costs	(vii)	**(6)**	7	1
Shares held by Billiton Employee Share Ownership Trust	(viii)	**-**	4	–
Income taxes	(ix)			
• Secondary tax on companies		**(15)**	15	–
• Deferred taxation effect of US GAAP adjustments		**59**	13	24
Effect on minority interest of US GAAP adjustments		**5**	9	(4)
Sale of preferential rights	(x)	**(61)**	–	–
Other	(xi)	**(2)**	–	3
Net income under US GAAP before cumulative effect of change in accounting principle		**487**	528	341
Cumulative effect of change in accounting principle for derivatives and hedging activities, net of tax	(iv)	**(5)**	–	–
Net income under US GAAP after cumulative effect of change in accounting principle		**482**	528	341
Other comprehensive income				
Foreign currency translation adjustment		**–**	(7)	(10)
Investments	(vi)	**8**	(3)	–
Comprehensive income under US GAAP		**490**	518	331

(a) Comparative information for "Attributable profit as reported under UK GAAP" for 2000 and 1999 has been restated in accordance with our disclosure 'Application of new accounting standards and changes in accounting policies' as described in the section entitled "Accounting Policies".

(b) Note 24. Summary of differences between UK and US generally accepted accounting principles ("GAAP") (continued)

The BHP Billiton Plc Consolidated Statement of Cash Flows has been prepared in accordance with UK accounting standard FRS1, the objectives and principles of which are similar to those set out in US accounting principle SFAS 95, Statement of Cash Flows. The principle differences between the standards relate to classification of items within the cash flow statement as well as the definition of cash and cash equivalents.

Under SFAS 95, dividends from joint ventures and associates, cash flows from returns on investments and servicing of finance, and tax paid are included in operating activities. In addition capital expenditure and acquisitions and disposals are included as investing activities and proceeds from issuance of shares, increases and decreases in debt and dividends paid are included as financing activities.

Under FRS1, cash is defined as cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Under SFAS 95, cash is defined as cash in hand and deposits but also includes cash equivalents, which are short term with original maturities of less than 3 months. The statement below shows the adjustments to be made to the UK GAAP cash flow statement to reclassify it to comply with US GAAP.

	2001 US$m	2000 US$m	1999 US$m
Net cash inflow/outflow from operating activities in accordance with UK GAAP	**1,369**	1,040	795
Dividends from joint ventures and associate undertakings	**163**	108	117
Returns on investments and servicing of finance	**(210)**	(143)	(98)
Tax paid	**(263)**	(140)	(119)
Net cash provided by operating activities in accordance with US GAAP	**1,059**	865	695
Capital expenditures	**(2,048)**	(884)	(673)
Acquisition and disposals	**(1,491)**	(34)	(1,155)
Net (purchase)/sale of investments	**(352)**	(12)	97
Net cash used in investing activities in accordance with US GAAP	**(3,891)**	(930)	(1,731)
Proceeds from issuance of ordinary shares	**850**	(2)	(116)
(Decrease)/increase in interest bearing liabilities	**2,157**	632	(183)
Equity dividends paid	**(277)**	(235)	(263)
Net cash provided by financing activities in accordance with US GAAP	2,730	395	(562)
Exchange translation effects	**(17)**	(4)	(1)
Net (decrease)/increase in cash and cash equivalents in accordance with US GAAP	**(119)**	326	(1,599)
Cash and cash equivalents at beginning of period	**806**	480	2,079
Cash and cash equivalents at end of period	**687**	806	480
At year end cash and cash equivalents is made up of:			
Cash at bank and in hand	**543**	297	202
Money market deposits*	**144**	509	278
Cash and cash equivalents at end of period	**687**	806	480

* Money market deposits with financial institutions have a maturity up to but not more than three months.

Unless otherwise indicated, these financial statements are presented in US dollars and prepared in accordance with UK GAAP

Note 24. Summary of differences between UK and US generally accepted accounting principles ("GAAP") (continued)

Earnings per share (US$ cents)	2001	2000	1999
Earnings per share before cumulative effect of change in accounting principle	**21**	25	16
Earnings per share after cumulative effect of change in accounting principle	**21**	25	16

In preparing 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 are employed 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.

A summary of the principal differences applicable to the BHP Billiton Plc Group is set out below:

(i) Business combinations

Both UK and US GAAP require purchase consideration to be allocated to the net assets acquired at their fair value on the date of acquisition, with the difference between the consideration paid and the fair value of the identifiable net assets acquired recognised as goodwill. Under applicable UK GAAP, goodwill and negative goodwill arising on acquisitions subsequent to 1 July 1998 are capitalised and amortised or released to operating profit. Goodwill arising on acquisitions prior to that date remains set off against reserves. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal 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. Under US GAAP, goodwill, which was previously written off against reserves under UK GAAP is capitalised and amortised over its estimated useful life.

In cases where traded equity securities are exchanged as consideration, UK GAAP requires the fair value of consideration to be determined at the date the transaction is completed, while US GAAP requires the fair value of such consideration to be determined at the date the acquisition is announced. This difference involving purchase consideration gave rise to additional goodwill under US GAAP, which is capitalised and amortised over its estimated useful life.

Additional goodwill also arises under US GAAP due to the recognition of deferred taxation on US GAAP fair value adjustments, which is capitalised and amortised over its estimated useful life.

(ii) Pensions

Under UK GAAP, the cost of providing pension benefits under defined benefit pension schemes is expensed over the average expected service lives of eligible employees in accordance with the provisions of SSAP 24. SSAP 24 aims to produce an estimate of cost based on long-term actuarial assumptions. Variations from the regular pension cost arising from, for example, experience deficiencies or surpluses, are charged or credited to the profit and loss account over the expected average remaining service lives of current employees in the schemes.

Under US GAAP, the annual pension cost for such schemes comprises the estimated cost of benefits accruing in the period as determined in accordance with SFAS 87, which requires readjustment of the significant actuarial assumptions annually to reflect current market and economic conditions.

(iii) Post retirement benefits other than pensions

Prior to 1 July 1998, as permitted under UK GAAP, post retirement benefits other than pensions were accounted for in accordance with local accounting practice in the country where the respective subsidiary operates. Subsequent to that date, these benefits have been accounted for in accordance with the provisions of SSAP 24, which are consistent with the provisions of SFAS 106 for purposes of US GAAP, except for certain specific scenarios such as in accounting for plan amendments.

Note 24. Summary of differences between UK and US generally accepted accounting principles ("GAAP") (continued)

Under UK GAAP, amendments to post retirement benefits provided are taken into account from the date upon which plan amendments are announced. Under US GAAP, plan amendments are only taken into account from the date upon which the plan amendments become effective.

(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 Company with effect from 1 July 2000. This standard establishes accounting and reporting standards for derivative instruments and for hedging activities. Previously under US GAAP, specific rules governed the application of hedge accounting and generally required the existence of an exposure arising from a firm commitment and the specific matching of the hedge to the hedged item. In the case of instruments, which effectively established minimum prices for designated future production, these instruments were recognised in revenue when the planned production was delivered. Instruments that did not meet these requirements were marked to market with gains and losses being recognised in the profit and loss account.

At the adoption date of FAS 133 on 1 July 2000, none of the Company's derivatives qualified for hedge accounting and they were thus marked to market, resulting in recognition of the cumulative effect of a change in accounting principle of $5 million, net of tax. As at 28 June 2001, none of the derivatives held by the Company qualify for hedge accounting. They have therefore, been marked to market with the associated gains and losses recognised in the profit and loss account in the current period. In addition, FAS 133 does not permit the hedging of transactions involving a company's shareholders equity as permitted under UK GAAP and, accordingly, the loss arising on the hedging of the Company's share issue proceeds, which was recorded directly in reserves under UK GAAP, has been recognised in the profit and loss account under US GAAP.

(v) Synthetic accounting

An operating subsidiary of the Company whose functional currency is the US dollar, has obtained financing in various foreign currencies. The operating subsidiary entered into forward exchange contracts to fix the exchange rate between the Rand and the foreign currencies. Under UK GAAP, all of the subsidiary's debt is treated as synthetic Rand debt which at each period end is retranslated to US dollars at the spot rate with the exchange gain or loss being included in the profit and loss account.

Under US GAAP, synthetic accounting would not be permitted. As a result, the foreign currency loans and forward exchange contracts would be accounted for separately. Foreign currency loans would be recorded at the exchange rate in effect on the date of the borrowing with gains and losses arising from exchange rate movements versus the US dollar, taken to the profit and loss account. The forward exchange contracts would be marked to market annually with the resulting gain or loss also taken to the profit and loss account. Whilst over time the aggregate gains and losses recognised in the profit and loss account would be the same as those recognised under UK GAAP, the timing of recognition will vary.

(vi) Investments

Under UK GAAP, certain investments in marketable securities are classified as exploration assets and carried at cost less provision for permanent impairment. Under US GAAP, such investments are classified as available for sale and marked to market with changes in fair value recognised as a component of comprehensive income. Upon disposal of any such investments, any realised gain or loss upon disposal is transferred from the component of other comprehensive income to income.

Note 24. Summary of differences between UK and US generally accepted accounting principles ("GAAP") (continued)

(vii) Start-up costs
UK GAAP allows for certain direct and indirect costs attributable to an operating facility, which are incurred during the construction and pre-commercial production period to be capitalised. Such costs are written off over the estimated useful life of the associated asset. Certain of these costs would not be permitted to be capitalised under US GAAP, and would be expensed as incurred.

(viii) Shares owned by Billiton Employee Share Ownership Trust
Under UK GAAP, shares in the Company held by the trust to satisfy contingent awards to shares arising from Billiton's long term share incentive plan are recorded as fixed asset investments. The cost of acquiring shares is recognised in the profit and loss account over the performance period of the awards, based on an assessment of the likelihood of the awards vesting. Under US GAAP, in accordance with FAS 123, "Accounting for Stock Based Compensation" these shares are recorded at cost and reflected as a deduction from shareholders' equity. In addition, under US GAAP, the fair value of each award made by the Billiton Employee Share Ownership Trust is charged to the profit and loss account over the vesting period of the respective award.

(ix) Income taxes
Deferred taxation effect of US GAAP adjustments

The application of US GAAP gives rise to a related deferred taxation adjustment due to a different book value being recognised for the related asset or liability under US GAAP as compared to UK GAAP. The major component of this adjustment arises due to the deferred tax effecting of fair value adjustments arising in business combinations under US GAAP.

Secondary tax on companies

Under UK GAAP, the proposed final ordinary dividends are recognised in the financial year to which they relate. In certain countries where the BHP Billiton Plc Group subsidiaries operate, a taxation charge equal to 12.5% of the total dividend declared is payable.

Under US GAAP, such dividends and the related tax charge are not recognised until the period in which they are formally declared.

(x) Sale of preferential rights
Under UK GAAP the Company recognised as a gain the disposal of a preferential interest in the expansion phase of a joint venture, which is yet to be constructed in which it has a continuing involvement. Under US GAAP, where a company has a continuing involvement in property being disposed of, the gain on sale is recognised via the percentage of completion method, as the asset is constructed.

(xi) Other
Other consists of other differences between UK GAAP and US GAAP that are considered insignificant to be quantified individually.

Joint Ventures and Joint Arrangements

Under US GAAP, the treatment of all investments classified as joint ventures, are accounted for under the equity method of accounting in accordance with Staff Accounting Bulletin Opinion 18. All joint arrangements are also proportionally accounted for in accordance with Emerging Issues Task Force Opinion ("EITF") 00-01 *Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures.*

The BHP Billiton Plc Group's investment in the Richards Bay Minerals joint venture is comprised of two legal entities Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited. Although the BHP Billiton Group owns 51 per cent of Tisand (Pty) Limited, it has not been consolidated under US GAAP in accordance with EITF 96-16 *Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights*. The substantive participating rights of the minority interests holder in Tisand (Pty) Limited are embodied in the shareholder agreement between the BHP Billiton Plc Group and Rio Tinto which ensures that the Richards Bay Minerals joint venture functions as a single economic entity with the overall profit of the Richards Bay Minerals joint venture shared equally between the venturers. The shareholders agreement also states that the parties agree that they shall as their first priority seek the best interests of the project as an autonomous commercial operation rather than seek to service the individual interests of any of the other parties.

Notes to the financial statements

Note 25. Subsequent Events – Dual Listed Companies ("DLC") merger

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. 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 and is accounted for using the merger method of accounting (pooling-of-interests) whereby all periods are presented as though BHP Billiton Plc and BHP Billiton Limited had been combined throughout; this is the basis upon which the statutory financial statements of BHP Billiton Plc were prepared.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrants certify that they meet all of the requirements for filing on Form 20-F and that they have duly caused this annual report to be signed on their behalf by the undersigned, thereunto duly authorised.

Date: October 23, 2003

/s/ CHRISTOPHER LYNCH

(Signature)

Chief Financial Officer

(Title)