BHP BILLITON PLC ANNUAL REPORT 2002

STABILITY
GROWTH
VALUE

bhpbilliton

Stability. Growth. Value . . .

Contents

About this Report

BHP Billiton was created through the Dual Listed Companies (DLC) merger of BHP Limited (now BHP Billiton Limited) and Billiton Plc (now BHP Billiton Plc), on 29 June 2001.

BHP Billiton Limited and BHP Billiton Plc continue to exist as separate companies, but operate on a combined basis as BHP Billiton. The headquarters of BHP Billiton Limited, and the global headquarters of the combined BHP Billiton Group, are located in Melbourne, Australia. BHP Billiton Plc is located in London, United Kingdom. Both companies have identical Boards of Directors and are run by a unified management team. Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole.

The laws in Australia and the UK require us to adopt a different approach to reporting results. This Annual Report deals with the affairs of the BHP Billiton Group.

Copies of the Annual Reports for BHP Billiton Plc and BHP Billiton Limited (Concise Report and Combined Financial Statements) can be found on **www.bhpbilliton.com**. Shareholders may also request a copy by telephoning (44 20) 7747 3977.

Throughout this Report, the terms BHP Billiton, the Company, the Merger and the Group refer to the combined group, including both BHP Billiton Limited and subsidiary companies and BHaP Billiton Plc and subsidiary companies. The term 'the merger' has a corresponding meaning.

Throughout the Report, a reference to a year is to a financial year unless otherwise indicated.

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered Office: Level 45, 600 Bourke Street, Melbourne Victoria 3000, Australia.
BHP Billiton Plc. Registration Number 3196209. Registered in England and Wales. Registered Office: 1–3 Strand, London WC2N 5HA United Kingdom.

Excellence at the asset level is the foundation of our business

BHP Billiton is the largest diversified resources company in the world

We are distinguished from other resources companies by the quality of our outstanding assets; our deep inventory of growth projects; our customer-focused marketing; our diversification across countries, commodities, markets and shareholders; our Petroleum business; and our innovation.

Our vision is to earn superior returns for shareholders as the world's premier supplier of natural resources and related products and services. To this end, the Company's Strategic Framework sets out eight imperatives. They are:

1. Zero harm to people and the environment
2. Operating excellence
3. Project evaluation and execution
4. Serving customers best
5. Portfolio management
6. Funding and capital management
7. Value-adding growth
8. Creative thinking, commercial judgement and transaction execution

Excellence at the asset level is the foundation of our business. Our assets are organised into Customer Sector Groups (CSGs) based on natural customer-oriented groupings. Marketing is conducted through our two 'hubs' in The Hague and Singapore. This structure allows us to focus on the needs of our customers. The Annual Report presents our 2002 results, strategic direction, and operational reviews of the CSGs.

The merged Company

One should not spend too much time reflecting on the past, but it would be remiss of me not to revisit the merits of the merged Company's value proposition and then comment upon some of the opportunities that should add future value.

The merger has created a Company with an exceptional low-cost asset base. It has long-life operations, with outstanding commodity and country diversification. BHP Billiton is an industry leader or has a near-leader position in aluminium, metallurgical coal, seaborne steaming coal, copper, ferro alloys, iron ore and titanium minerals, and substantial interests in oil and gas, LNG, nickel, diamonds and silver.

Since the creation of BHP Billiton on 29 June 2001, there have been many outstanding initiatives undertaken and completed from a Board perspective. For the purposes of this review I would list the following initiatives as integral to the long-term wellbeing of the Group:

- The finalisation and publication of our Strategic Framework, which detailed the key value drivers that distinguished us from our competitors and outlined the strategic imperatives that will realise our full potential.
- The performance measures against which we have invited the market to judge us.
- The approval of 12 new projects involving aggregated capital investment of US$2.9 billion.
- A number of remarkable successes by our Petroleum exploration teams.
- The successful demerger of BHP Steel.
- A smooth transition of the Chief Executive Officer responsibilities from Paul Anderson to Brian Gilbertson.
- A restructure of the Board that will result in a downsizing from 17 members to 12.

How then do these initiatives transfer into value?

Creating value

There are a number of ways to measure a company's ability to create value: from an external perspective, by focusing on those value propositions that will drive its share price over time, or from an internal perspective by analysing its business fundamentals, e.g. strategy, operational effectiveness and the quality of its human resource assets.

The mining industry has often been characterised as highly cyclical and has had difficulty covering its cost of capital during economic downturns. However, a close analysis of our 2002 financial results gives an indication of how the Group is delivering on those external value drivers that contribute to sustained share price throughout the cycle.

- Our operating cash flows (after net interest and tax) were steady at US$3.9 billion for the year.
- Our strong balance sheet is reflected in improvements to key financial ratios – our gearing reduced to 35.0 per cent and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) interest cover was strong at 11.0 times.

- EBITDA (before exceptional items) was US$4.9 billion, down only 7.2 per cent on last year's record level, notwithstanding much weaker commodity prices.
- Good progress was made towards the delivery of our merger target of US$270 million of ongoing benefits by the end of next financial year, with US$220 million being delivered in this year.

The Group, through portfolio diversification, is now able to lower the risk profile of its operations and increase expected returns over time.

Adherence to rigorous capital management disciplines (based on a business model that crafts value propositions for its customer base, as distinct from the traditional 'dig and deliver' model) will, in the short to medium term, deliver sustainable benefits and warrant a closer examination of how this Company is rated in the market.

It is difficult to attribute a figure to the value of the strategy, operational effectiveness and our human resource assets. When one considers the speed and excellence of execution of the merger transformation process, the various initiatives introduced under the Operating Excellence program, and the clear articulation of the strategic direction introduced to the market in April 2002, it could be argued that real value has already been delivered under the Dual Listed Companies structure. That can only be attributed to the quality of the human resources in the organisation, and augurs well for succession planning. This gives the Board confidence that we have a human resource asset base that is psychologically and financially stimulated to growing an efficient and productive Group.

Mention of the transformation process cannot pass without paying tribute to Paul Anderson, Brian Gilbertson and their management teams, who have led this complicated and delicate transaction with a vision and wisdom that has resulted in an outstanding outcome when it appeared that execution risk was a market concern for some time.

I am sure all shareholders join the Board in thanking all of our people for their efforts.

Social responsibility

The attributes of a consolidating industry – global reach and financial strength – are probably the greatest concerns of economically disadvantaged countries and sectors. Historically, large global resource companies had a choice of either taking the position that they were strong enough and had sufficient flexibility to avoid social issues, or being part of the solution.

To the industry's credit, they have chosen to take the responsible path and be part of the solution. This is the path that BHP Billiton has taken, and its significance is reflected in our strong commitment to the Global Mining Initiative, as outlined in the HSEC review on page 28 of this Report.

Corporate governance

As globalisation of investment flows continues, the availability of capital from international markets will increasingly move to those economies and companies that have sound corporate governance standards.

Good corporate governance is not difficult. Its principles are well understood and accepted.

It is unfortunate that we have witnessed a number of corporate collapses in recent times, which undermines the confidence of investors in reported financial results. What is required now is for companies like BHP Billiton to demonstrate that we are pursuing a culture of good corporate governance.

One of the benefits that emerges from a Dual Listed Companies structure is that we have to comply with the Corporations Laws and Stock Exchange listing rules in the various jurisdictions where we are listed and operate.

As you will observe from the Corporate Governance Statement on pages 38 to 46 in this Report, we comply with the various rules and regulations of those jurisdictions and adopt the better of the prevailing standards. This delivers an outcome that enshrines in our culture a desire to ensure that we continue to be at the forefront in delivering best practice in corporate governance, and that we maintain the support and confidence of all our stakeholders.

Succession planning of executives and Board members is a critical element of good corporate governance.

With regard to the Board, an undertaking was given at the time of the merger to review its size and composition.

Messrs Ben Alberts, John Conde, Derek Keys and Barry Romeril retired from the Board at the end of June 2002. Messrs John Jackson, John Ralph and Paul Anderson will retire from the Board at the conclusion of the Annual General Meeting in November 2002.

All of these members have made enormous contributions to the decisions of the Group and I am sure all shareholders join me in thanking them for their contributions, without which delivery of the merger transition would not have been possible.

Passing the baton

There is never a right time for a successful CEO to move on to new interests. However, in Paul Anderson's case, when one reviews the progress that has been made since November 1998, it can be argued that he has his timing right again. His achievements as CEO of BHP and latterly BHP Billiton, are too numerous to list here, but if we assess him on vision, trust, team leadership, creativity, integrity and community involvement, then he would have few peers. The financial performance speaks for itself, but I sum up Paul Anderson as a person who has a profound understanding of his own strengths and weaknesses; a very sound understanding of the motivations of people around him; a deep understanding of the tensions and trade-offs of the challenges of the external market – and he has delivered on goals. A job well done, and appreciated by all.

Paul has passed the baton to Brian Gilbertson, who has himself had much success building Billiton's business. Brian has been instrumental in leading the transformation process of the merger and has created a Strategic Framework against which the Company will be measured over time. We look forward to the opportunities that lie ahead for BHP Billiton under his leadership and to working with him in his role as Chief Executive.

Don Argus
Chairman

An international entity

The merger of BHP Limited and Billiton Plc on 29 June 2001 established a new leader in the global resources sector; one seeking superior shareholder returns as the world's premier supplier of natural resources and related products and services. Merger integration via the Dual Listed Companies structure was swift with our key business units being immediately organised into six Customer Sector Groups, supported by two marketing hubs – one in The Hague and one in Singapore. Today, we operate as a truly international entity, with some 38 000 employees currently working in more than 100 operations in 20 countries across the globe – serving our global base of shareholders and customers.

Stability and growth

The central tenet of the BHP Billiton business model is that our diversified portfolio of high-quality assets provides more stable cash flows and greater capacity for growth than the traditional resource cyclicals (or indeed many other industrial models). The results of the year provide striking support for this thesis. Despite current price weakness in many of our products, currency fluctuations, and demand-based production cut-backs at some of our major operations, our Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), excluding exceptional items, held steady at around US$1.2 billion in every quarter. Aggregated over the year, EBITDA (before exceptional items) was US$4.9 billion, down only 7.2 per cent on last year's record, notwithstanding much weaker commodity markets.

Even more striking was the underlying stability of our operating cash flows that (after paying all interest and taxes) held steady at US$3.9 billion, despite the environment of generally lower prices. These strong financials were reflected in other measures: EBITDA interest coverage rose from 8.5 times in 2001 to 11.0 times in the reporting year; gearing (net debt to net debt plus equity) declined from 38.4 per cent to 35.0 per cent; and net debt at 30 June 2002 was US$6.8 billion, a reduction of US$499 million over the year.

Our robust cash flows left us well placed to proceed methodically with the new growth projects that we flagged to shareholders at the time of the merger. During the year, we sanctioned 12 new growth projects involving an aggregate investment of US$2.9 billion.

The income statement

The difficult market conditions that prevailed throughout the year were reflected in Group turnover, which fell by 6.8 per cent to US$17.8 billion, due mainly to lower commodity prices and lower sales volumes.

Earnings before Interest and Tax (EBIT), excluding exceptional items, consequently declined to US $3.2 billion from US$3.6 billion last year, a reduction of 12.1 per cent.

Portfolio management
The demerger of BHP Steel in July 2002 was a landmark event, severing a link of many decades. The outcome was embraced by both organisations, launching BHP Steel as an independent, world-class steel business and releasing BHP Billiton to focus on its upstream interests. Strong demand for the BHP Steel shares, which were sold through the Sale Facility to participants under the Retail and Institutional offers, took the final price to A$2.80 per BHP Steel share. The 6 per cent retained by BHP Billiton and sold through the Sale Facility brought a cash benefit of US$75 million in July 2002. BHP Billiton Plc shareholders received approximately 149 million bonus shares to match the demerger value distributed to BHP Billiton Limited shareholders.

During the year, we also finalised our responsible exit from the Ok Tedi copper mine in Papua New Guinea, transferring our equity in the mine to an independent company established to support the future social and economic development of the people of Papua New Guinea. We announced the sale of our interest in the PT Arutmin Indonesia energy coal operations, and the acquisition, in conjunction with our partners, of the 50 per cent interest in Cerrejon Zona Norte energy coal mine in Colombia, bringing our interest in the overall company to 33 per cent.

The recent establishment of a seventh Customer Sector Group, to be known as Diamonds and Specialty Products, will bring integrated management and renewed focus to an important group of cash-generating businesses.

Progress for Petroleum
Our Petroleum exploration made good progress during 2002. We invested US$288 million in exploration and appraisal activities and were rewarded with a finding cost of US$1.59 per barrel of oil equivalent and a capitalisation rate of 47.6 per cent. Both of these figures represent top tier performance. In the Gulf of Mexico, appraisal wells at Mad Dog and Atlantis were successfully completed, leading to sanction of both projects. In Trinidad, the Kairi and Canteen wells project is built on our original exploration success in the Angostura field, and development work is well advanced to sanction this project during the coming year.

Negotiations with the Chinese government for the delivery of Liquefied Natural Gas (LNG) from the North West Shelf Venture (NWS) in Western Australia were ultimately successful. In terms of the agreement of August 2002, the NWS will be the preferred supplier to the development of the first phase of the Guangdong LNG Terminal and Trunkline Project in China. BHP Billiton acted as the owner's representative and worked closely with both the Western Australian Government and Australian Federal Government towards this outcome.

Merger benefits and cost savings
An important target announced at the time of the merger was the pursuit of ongoing benefits of US$270 million (before one-off costs) by the end of financial year 2003. Good progress was made towards this goal, with US$220 million being delivered in the year ended 30 June 2002. These benefits arose from a number of different areas, including Operating Excellence initiatives, strategic sourcing, changes to our marketing activities, access to lower-cost finance, and widespread operational savings.

A further target of US$500 million of cost savings and efficiency gains has been set for the next three years. A major part of this is expected to be delivered through the continuance of our Operating Excellence initiatives, together with savings from our simplified structure and processes, economies of scale from centrally-focused marketing activities and from productivity improvements at ongoing operations.

BHP Billiton people
I conclude with a tribute to Paul Anderson, who retired from his executive role of CEO and Managing Director on 1 July 2002. He served his shareholders well, restoring an ailing BHP to health and delivering a new industry leader from the BHP Billiton merger. He will surely be noted in the corporate annals as one of our most successful leaders and remembered with great affection by employees and shareholders alike.

Messrs Ben Albert, John Conde, Derek Keys and Barry Romeril retired from the Board at the end of June 2002. All four contributed much to the decisions of the Group, and particularly to those related to the merger. I personally shall miss the wise counsel of Mr Keys, from which I benefited for more than a decade.

At the end of a busy year, I give thanks to my colleagues across the Group for their contributions to making the merger an outstanding success and for delivering sound results in challenging times. Together, we shall strive in the year ahead to achieve our vision of building BHP Billiton into one of the world's premier companies.

Brian Gilbertson
Chief Executive

Financial Performance 02

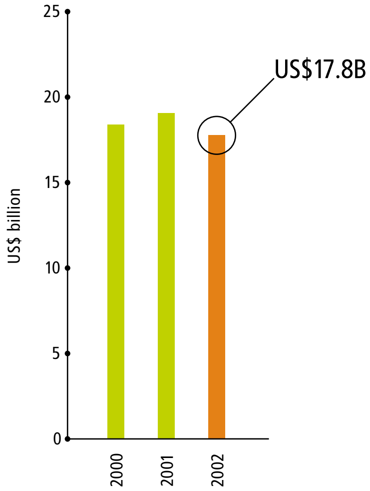
BHP Billiton Group

US$ million	2002	2001	Change (%)
Turnover [(a)]	17 778	19 079	– 6.8%
EBIT excluding exceptional items	3 188	3 627	– 12.1%
Attributable profit excluding exceptional items	1 934	2 189	– 11.6%
Attributable profit including exceptional items	1 690	1 529	10.5%
Operating cash flow including dividends from joint ventures and associates and after net interest and tax	3 918	3 837	2.1%
Net operating assets (at 30 June)	22 394	21 712	3.1%
EBITDA interest coverage excluding exceptional items (times)	11.0	8.5	29.4%
Gearing at 30 June (%)	35.0	38.4	8.9%
Basic earnings per ordinary share excluding exceptional items (US cents)	32.1	36.8	– 12.8%
Basic earnings per ordinary share including exceptional items (US cents)	28.0	25.7	8.9%
Dividend per ordinary share			
BHP Billiton Plc (US cents)	13.0	12.0	
BHP Billiton Limited (US cents)	13.0		
BHP Billiton Limited (Australian cents)		24.7	

[(a)] Including share of joint ventures and associates.

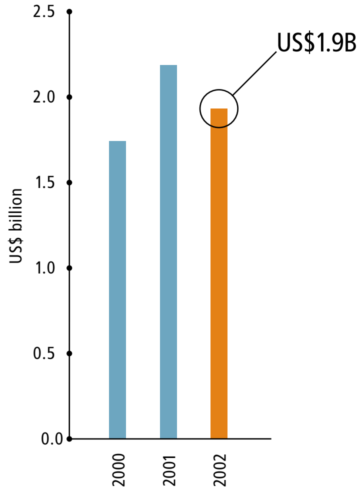
TURNOVER

(including share of Joint Ventures and Associates)

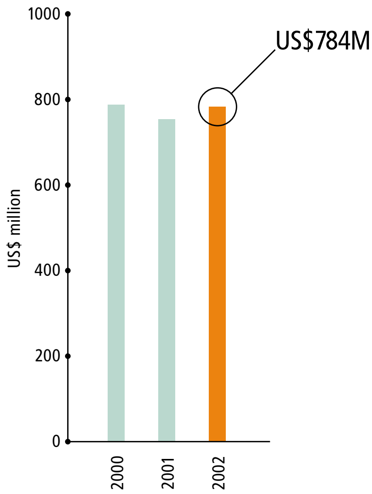


ATTRIBUTABLE PROFIT

(excluding exceptional items)

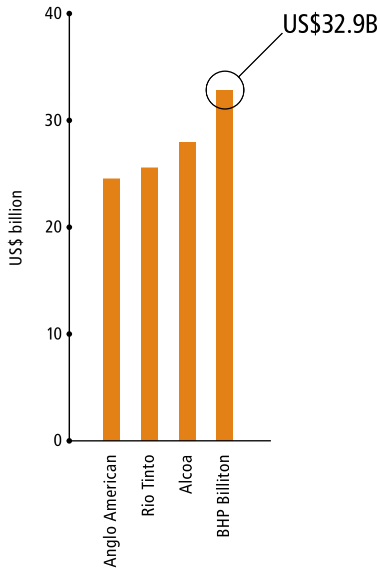


DIVIDENDS TO SHAREHOLDERS



MARKET CAPITALISATION

(at 30 June 2002)



BHP Billiton Marketing Hubs

'These dynamic, customer-focused centres allow our Customer Sector Groups to better respond to the changing needs of their markets.'

Twin marketing hubs

Both our hubs in Singapore and The Hague support marketing teams tied to our product groups. These teams incorporate all the functions required to manage product marketing and distribution, from finished goods to final customer delivery. Product structuring and third-party aggregation and trading form part of the core capabilities of our marketing effort.

The Hague

In The Hague, our emphasis is on aluminium, base metals, stainless steel materials, and the European energy market. Our freight and shared marketing infrastructure services teams are also housed here.

Singapore

In Singapore, our focus is on the Asian energy market, built around coal, oil and gas. The carbon steel materials marketing team is also located here.

Marketing and Financial Risk Management

Marketing
In order to deliver customer value, we are implementing a marketing strategy that we believe is unique in the global resources sector. Rather than manage our marketing effort on a project-by-project, site-by-site basis, we approach our total product and services offering on a global basis. For example, we can source products from different geographical regions and third parties. This allows us to provide a more complete product offering.

Marketing hubs in The Hague and Singapore spearhead our efforts, and these are augmented by customer solutions teams in all our major market areas across the globe. While the marketing teams are broadly aligned with the Customer Sector Groups, the use of common systems, philosophies and operating platforms facilitates cross-sector product offerings.

Our equity product, in combination with our sourcing capabilities and supply chain management tools, gives us the ability to manage the complete raw materials supply function on behalf of our customers. This capability is complemented by our position as one of the world's largest transporters of products by sea.

We recognise the changing nature of a number of our markets, and the associated change in the requirements of our customers. In response, we have strongly aligned our product structuring and risk management skills in order to meet the physical product needs of our customers and to help them manage their related market and financial exposures.

For example, by combining these skills with our equity positions in oil, gas and coal, we are able to tailor fuel packages for our energy generation customers that give them the ability to better serve increasingly deregulated electricity markets.

Meeting the changing needs of customers with appropriate new solutions will continue to be the focus of our marketing activities.

'Our approach to marketing combines the skills of an equity producer and merchant with risk management expertise in order to create tailored solutions for our customers that best fit their individual requirements.'

Financial Risk Management
Managing financial risk is critical to our business strategy. A Financial Risk Management Committee (FRMC) has been established to monitor the financial risk management policies of the Group. The FRMC operates under powers delegated by the Executive Committee and is chaired by the Chief Financial Officer.

The FRMC reviews financial risks including Group funding and cash flow at risk, interest rates, foreign currencies, risk, credit, marketing, country and insurance risk arrangements.

One of the key distinguishing features of BHP Billiton is our diversification across commodities, geographic locations and markets. An important consequence of this diversification is materially reduced market risk. This has been recognised by the major rating agencies, with the Company's credit rating being upgraded by Standard and Poor's almost immediately after the merger.

The benefit of risk reduction has been quantified by our Finance team, using their own Cash Flow at Risk model, which applies leading financial markets analysis to a portfolio of natural resource assets. In 2002, the team undertook a comprehensive review of the Company's cash flows in relation to market price risks. The analysis demonstrated the benefits of the Group's diversified portfolio, with the ratio of 'cash flow at risk to cash flow' dropping considerably since the merger.

The significance of this for shareholders lies in the resulting enhanced stability of the Group's cash flow. This enables us to consistently meet dividend expectations and fund growth activities without the short-term cash flow concerns that less-diversified businesses may face. It also allows us to develop our investment opportunities constantly in pursuit of shareholder growth and value.

Our investment approval processes are managed by the Investment Review Committee (IRC). Identification and evaluation of risks associated with investment proposals, and the development of appropriate risk management strategies are key elements of our investment review processes. The IRC operates under powers delegated by the Executive Committee and is chaired by the Chief Financial Officer.

Alison Gilbert, Investor Relations, London, UK

*Benjamin Quek, Distribution Administrator and
Wayne Aitken, Scheduler, Singapore*

Julie Jumar, Receptionist, Singapore

*Mark Lidiard, Vice President,
Investor Relations & Communications, London, UK*

*Rob Jellis, Senior Petroleum Engineer, and
Mark Jackson, Adviser – Production Management, Petroleum Engineering,
Melbourne, Australia*

*Renske Vijverberg, Scheduler Aluminium, and
Esther van Ulden, Distribution Administrator Carbon Steel, The Hague*

Review of Operations

	Total BHP Billiton attributable production	Principal assets/BHP Billiton ownership/2002 attributable production	
Aluminium	**Alumina** 3.94 million tonnes **Aluminium** 992 000 tonnes	Worsley alumina refinery and bauxite mine (Australia); 86% – 2.7 million tonnes Paranam alumina refinery (Suriname); 45% – 850 000 tonnes Alumar alumina refinery (Brazil); 36% – 396 000 tonnes Hillside/Bayside aluminium smelters (South Africa); 100% – 676 000 tonnes	Alumar aluminium smelter (Brazil); 46% – 152 000 tonnes Valesul aluminium smelter (Brazil); 46% – 37 000 tonnes Mozal aluminium smelter (Mozambique); 47% – 127 000 tonnes
Base Metals	**Copper** 824 300 tonnes **Lead** 236 066 tonnes **Zinc** 162 520 tonnes **Gold** 289 764 ounces **Silver** 40.75 million ounces **Molybdenum** 658 tonnes	Escondida copper (Chile); 57.5% – 425 600 tonnes of copper in concentrate and cathode – 52 338 ounces gold in concentrate Tintaya copper (Peru); 100% – 46 200 tonnes copper in concentrate and cathode Antamina copper/zinc/silver (Peru); 34% – 81 900 tonnes copper in concentrate – 48 353 tonnes zinc in concentrate – 1.77 million ounces silver in concentrate	Alumbrera copper and gold (Argentina); 25% – 48 500 tonnes copper in concentrate – 192 939 ounces gold in concentrate Highland Valley copper (Canada); 34% – 62 100 tonnes copper in concentrate Cerro Colorado copper (Chile); 100% – 130 800 tonnes copper in cathode Cannington silver/lead/zinc (Australia); 100% – 231 764 tonnes lead in concentrate – 58 856 tonnes zinc in concentrate – 35.97 million ounces silver in concentrate
Carbon Steel Materials	**Iron Ore** 67.91 million tonnes **Metallurgical Coal** 35.53 million tonnes **Manganese Ores** 3.54 million tonnes **Manganese Alloys** 619 000 tonnes **Hot Briquetted Iron** 1.047 million tonnes	Mt Newman iron ore Joint Venture (Australia); 85% – 23.37 million tonnes iron ore Yandi iron ore Joint Venture (Australia); 85% – 27.26 million tonnes iron ore Mt Goldsworthy iron ore Joint Venture (Australia); 85% – 6.44 million tonnes iron ore BHP Billiton Mitsubishi Alliance (Australia); 50% – 21.7 million tonnes metallurgical coal BHP Mitsui Coal (Australia); 80% – 6.74 million tonnes metallurgical coal	Illawarra (Australia); 100% – 7.1 million tonnes metallurgical coal Samancor manganese (South Africa/Australia); 60% – 3.5 million tonnes manganese ore – 619 000 tonnes manganese alloys
Energy Coal	**Energy Coal** 82.84 million tonnes	Ingwe (South Africa); 100% – 55.7 million tonnes New Mexico (USA); 100% – 13.2 million tonnes Hunter Valley (Australia); 100% – 4.6 million tonnes	Kalimantan (Indonesia); 80% (Divested Dec 01) – 4.6 million tonnes Cerrejon Coal (Colombia); 33% – 4.7 million tonnes
Petroleum	**Crude Oil & Condensate** 78.52 million barrels **Natural Gas** 283.47 billion cubic feet (including LNG) **LPG** 697 560 tonnes **Ethane** 87 130 tonnes	Bass Strait – oil & gas (Australia); 50% – 27.98 million barrels of oil – 97 billion cubic feet of gas – 471 700 tonnes of LPG – 87 130 tonnes of ethane North West Shelf – LNG, liquids and gas (Australia); 16.67% interest in the LNG phase – 13 million barrels of oil & condensate – 13.73 billion cubic feet of domestic gas – 59.55 billion cubic feet of LNG – 140 260 tonnes of LPG Liverpool Bay – oil & gas (United Kingdom); 46.1% – 11.04 million barrels of oil – 41.69 billion cubic feet of gas	Laminaria/Corallina – oil (Australia); 32.6%/25% – 9.73 million barrels of oil Typhoon – oil & gas (USA); 50% – 5.54 million barrels of oil – 6.09 billion cubic feet of gas Griffin – oil & gas (Australia); 45% – 5.46 million barrels of oil – 3.97 billion cubic feet of gas Bruce/Keith – oil, gas & LPG (United Kingdom); 16%/31.83% – 2.25 million barrels of oil – 31.01 billion cubic feet of gas – 85 610 tonnes of LPG Americas (other USA and Bolivia) – 3.5 million barrels of oil – 19.13 billion cubic feet of gas
Stainless Steel Materials	**Nickel** 68 900 tonnes **Chrome Ores** 2.45 million tonnes **Ferrochrome** 837 000 tonnes	Cerro Matoso – SA (Colombia); 99.8% – 40 400 tonnes nickel QNI Yabulu nickel refinery (Australia); 100% – 28 500 tonnes of nickel	Samancor chrome (South Africa); 60% – 2.45 million tonnes chrome ores – 837 000 tonnes ferrochrome

FY: Financial Year, CY: Calendar Year, Q: Quarter. On 7 August 2002, BHP Billiton announced the formation of a seventh Customer Sector Group to be known as Diamonds and Specialty Products under the leadership of Marcus Randolph. Further details can be found on page 66 of this Report.

Growth opportunities/BHP Billiton ownership/share of production

Aluminium

Mozal II aluminium smelter expansion (Mozambique); 47%
– Incremental: 120 000 tonnes per annum
– Completion: Q4 CY03

Hillside III aluminium smelter expansion (South Africa); 100%
– Incremental: 132 000 tonnes per annum
– Completion: Q2 CY04

Base Metals

Escondida Phase IV copper expansion (Chile); 57.5%
– Incremental: 230 000 tonnes of copper in concentrate per annum (average)
– Completion: Q3 CY02
Escondida Norte development (Chile); 57.5%
– Incremental: 100 000 tonnes of copper per annum
Escondida Sulphide Leach development (Chile); 57.5%
– Incremental: 65 000 tonnes of copper in cathode per annum

Spence development (Chile); 100%
– Incremental: 200 000 tonnes of copper in cathode per annum

Carbon Steel Materials

Mining Area C iron ore (Australia); 85%
– Incremental: 15 million tonnes per annum
– Completion: Q4 CY03
Port & Capacity Expansion (Australia); 85%
– Incremental: 14 million tonnes
– Completion: Q2 CY04

Dendrobium Underground metallurgical coal (Australia); 100%
– Incremental: 5.2 million tonnes of raw coal per annum
– Completion: Q2 CY05

Energy Coal

San Juan Underground (New Mexico, USA); 100%
– Production: 6.5 million short tonnes (replacement) of coal
– Completion: Q4 CY02
Mount Arthur North (Australia); 100%
– Total production: 12.1 million tonnes of saleable coal per annum
– Completion: Q4 CY03

Boschmanskrans (South Africa); 100%
– Production: 6.5 million tonnes (replacement) of saleable coal
– Completion: Q4 CY04
Kwagga (South Africa); 100%
– Production: 10 million tonnes (replacement) of saleable coal
– Completion: Q4 CY03

Petroleum

Ohanet wet gas field development (Algeria); 45%
– Estimated peak production: 58 000 barrels per day (gross)
– Completion: Q3 CY03
ROD Integrated Oil Field Development (Algeria); 38.75%
– Estimated peak production: 80 000 barrels per day (gross)
– Completion: Q1 CY04
Mad Dog oil and gas development (USA); 23.9%
– Production capacity: 80 000 barrels per day (gross) and 40 mmcfd (million standard cubic feet per day) gas (gross)
– Completion: Q4 CY04

Atlantis oil and gas development (USA); 44%
– Production capacity: 150 000 bbl per day (gross) &180 mmcfd (gross)
– Completion: Q4 CY05
North West Shelf LNG expansion (Australia); 16.67%
– Total Production capacity: 4.2 million tonnes (gross) of LNG per annum
– Completion: Q2 CY04
Minerva gas development (Australia); 90%
– Production capacity: 150 Terrajoules of gas per day (gross)
– Completion: Q1 CY04
Zamzama Gas Field Development (Pakistan); 38.5%
– Production: 300 mmscfd (gross)
– Completion: Q3 CY03

Stainless Steel Materials

Ravensthorpe/Yabulu Extension (Australia); 100%
– 45 000 tonnes (additional throughput) per annum
– Completion: CY06

Aluminium

Results

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$492 million, compared with US$523 million in 2001, a decrease of US$31 million or 6 per cent.

The main reasons for the decrease were lower LME prices and lower production from the Brazilian operations, due to temporary power rationing imposed by the Brazilian Government. These were partially offset by lower LME-linked costs, the impact of favourable foreign exchange rates, operational cost efficiencies and increased production from Mozal and Worsley.

Markets and operations

The year witnessed the largest percentage decline in global aluminium demand since 1975. The aluminium market remains in surplus, with LME stocks progressively increasing from 600 000 tonnes at the start of July 2001 to approximately 1.2 million tonnes at the end of June 2002. The three-month aluminium price of just above US$1350 per tonne at the end of June 2002 compares to US$1474 per tonne at the start of July 2001.

The smelter grade alumina market is beginning to strengthen as Chinese demand compensates for smelter curtailments and refinery capacity expansions. The spot alumina price rose modestly from US$150 per tonne to about US$160 per tonne; however, the Australian alumina export price declined from US$200 per tonne to US$160 per tonne.

Aluminium smelter production was 992 000 tonnes, compared with 984 000 tonnes last year. Increased metal production from Mozal of 127 000 tonnes (93 000 tonnes last year) was largely offset by lower production from the Brazilian operations of 189 000 tonnes (215 000 tonnes last year). Hillside production of 502 000 tonnes was slightly higher (498 000 tonnes last year) mainly due to its capacity creep program, with an additional 10 300 tonnes achieved in the latter half of the year. This was offset by one-off production losses of 12 500 tonnes, incurred as a result of a power outage in September 2001.

Alumina production increased from 2.9 million tonnes to 3.9 million tonnes, mainly attributable to the acquisition in January 2001 of an additional 56 per cent interest in Worsley, taking our stake to 86 per cent.

Development activities

We strengthened our position as one of the leading low-cost producers of aluminium through our commitment to brownfield expansions at Hillside and Mozal.

In February 2002, the Hillside III Expansion Project was approved. Project construction commenced in April 2002, with first production planned for the 2004 financial year. The expansion will increase our production at Hillside by 25 per cent (132 000 tonnes) over current levels, at a projected cost of US$449 million.

Mozal is one of the lowest-cost producers of aluminium in the world. With our partners, we are now in the process of doubling output through the Mozal II Expansion Project, at a projected construction cost of US$860 million (100 per cent terms). The project is progressing on schedule, with first production planned for late in the 2003 financial year.

HSEC

Our Health and Safety performance improved, principally through behavioural systems. A substantial reduction in our injury frequency rate was achieved. However, contractor safety performance remains of concern and is being addressed through improved employment and management systems. Sadly, a contractor in our smelter operations was fatally injured during the year. Environmental performance improved, including a benchmark emissions performance at Mozal. Our community programs have focused on local enterprises and malaria and HIV/AIDS education and support. Our Hillside, Bayside and Mozal operations all received awards for their communities work.

Outlook

Our focus will be on delivering expansion projects in line with approved project milestones. Further, we are committed to continual cost improvements at our existing operations through programs such as the Hillside and Worsley capacity creep projects and other business improvement initiatives.

Miklos Salamon, President

	US$ million
Turnover	2 857
EBIT, excluding exceptional items	492
Capital and investment expenditure	291
Net operating assets	4 727

Antonio Chauque, Furnace Operator, Mozal, Mozambique

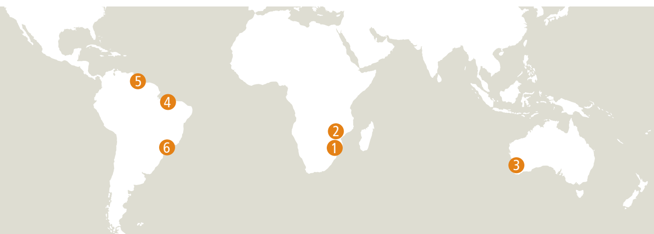
Neville Hughes, Minesite Service Person, Worsley, Australia

Mphiliseni Mthethwa, Mastman, Hillside, South Africa

'Expansion projects will strengthen our position as a leading, low-cost aluminium producer.'

Virma Mahomed, Machine Operator, Mozal, Mozambique

1 Hillside/Bayside (South Africa)
2 Mozal (Mozambique)
3 Worsley (Australia)
4 Alumar (Brazil)
5 Paranam (Suriname)
6 Valesul (Brazil)



Base Metals

Results
Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$200 million, compared with US$462 million in 2001, a decrease of US$262 million or 57 per cent.

The reduction was mainly due to a significant decline in the average realised copper price to US$0.69/lb compared to US$0.78/lb in the corresponding period, together with lower volumes at Escondida and Tintaya following the decision to temporarily reduce production in response to the global deterioration of base metals markets.

These factors were partly offset by a full year's contribution from the Rio Algom operations (Cerro Colorado, Antamina and Highland Valley), which were acquired in October 2000, as well as higher silver and lead volumes shipped from our Cannington mine, resulting from a revision of the mine's production strategy.

Markets and operations
The year proved to be a challenging one for base metals producers. Consolidation in the industry and a shift to demand-based production management will form the foundation for improved shareholder returns in the future.

We entered the year with falling global industrial production that impacted negatively on the demand for base metals. In November, prices hit historic lows in real terms. Warehouse stocks continued to rise, peaking at 1.52 million tonnes of copper in May 2002.

In response to these unprecedented events, we adopted a demand-based production approach, temporarily reducing our production at Escondida and Tintaya by 170 000 tonnes of copper. In May, we decided to extend these cuts until the end of calendar 2002. We believe that moving production from periods of lower demand to periods of higher demand will maximise the longer-term value of our operations.

Considering the self-imposed production discipline, our operations did well in maintaining unit operating costs. A total of 824 300 tonnes of copper were produced at a cash (C1) cost of approximately 41 US cents per pound. Cannington operated well throughout the year, setting record silver production of 35.96 million ounces.

During the year, we completed the transfer of the Company's equity in the Ok Tedi copper mine in Papua New Guinea to an independent company established to deliver sustainable community development programs.

Development activities
We continued to focus on development projects to meet medium and longer-term demand growth. The Tintaya Oxide project, a 34 000-tonnes-per-annum producer of low-cost copper cathode, was commissioned in April 2002. The Escondida Phase IV project, a 400 000-tonnes-per-annum producer of copper in concentrate, is scheduled to commence commissioning in September 2002.

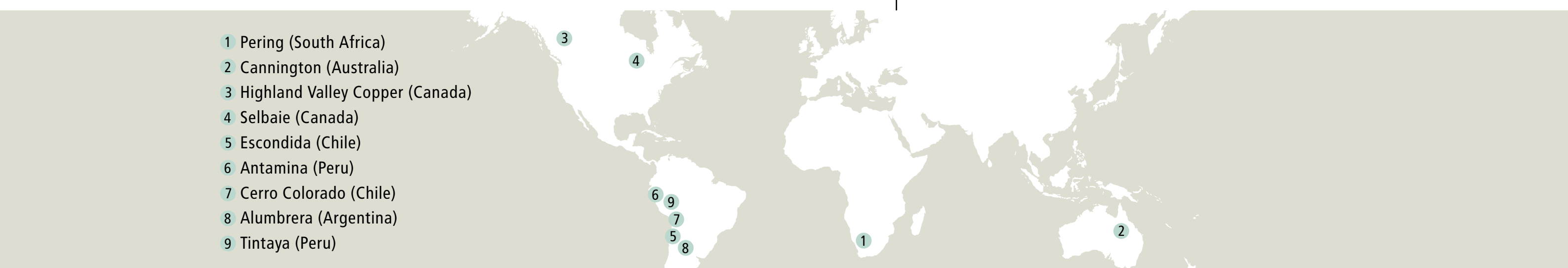
We progressed Spence, a greenfield development project in Chile, to final feasibility. This project will produce over 200 000 tonnes per annum of low-cost SXEW copper cathode. We made further progress during the year towards the development of the Escondida Norte and Sulphide Leach projects. Our Alliance Copper Joint Venture with Codelco commenced construction of a concentrate bioleaching demonstration plant at Chuquicamata, Chile.

HSEC
Operations achieved solid gains in all areas of HSEC performance, although three tragic fatalities occurred. 'Towards zero harm' was initiated to help achieve a step change in safety performance and a cardinal rules program initiated. Over 230 employees and contractors were trained in incident investigations to improve our competency in identifying and preventing root causes. We achieved a significant reduction in our injury frequency rate. Progress was made in implementing local community relations plans, and annual reports on HSEC performance are in progress. Receiving 16 awards from external organisations – Sustainability & Community (5), Environment (3), and Safety (8) – endorses the path we are taking to improve our HSEC performance.

Outlook
Our key operating objectives are the successful start of the Escondida Phase IV project and the ramp-up of our Tintaya Oxide project. We will be monitoring the state of global copper demand and will restart normal operations at Tintaya and Escondida when market conditions allow.

	US$ million
Turnover	1 821
EBIT, excluding exceptional items	200
Capital and investment expenditure	630
Net operating assets	4 077


Brad Mills, President



‘While tempering production, we are progressing our development projects.’

Antofagasta, Escondida, Chile

Carlos Rivera, Technical Leader, Escondida, Chile

Georgena Shepherd, Charger, Cannington, Australia

Glen Campbell, Underground Jumbo Operator, Cannington, Australia

Carbon Steel Materials

Results
Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$1084 million, compared with US$918 million in 2001, an increase of US$166 million or 18 per cent.

The underlying business results were enhanced by strong iron ore sales volumes, improved prices for hard coking coal, weaker exchange rates for both the Australian dollar and South African rand relative to the US dollar, and a continued focus on cost reduction initiatives.

These favourable impacts were partially offset by production cutbacks at Samarco during the year, the temporary closure of the Boodarie Iron plant, and lower manganese ore and alloy volumes.

Markets and operations
The iron ore market remained strong during the year, with increased demand recorded from Chinese customers. Hard coking coal pricing was favourably affected by ongoing reductions in US exports, coupled with steady demand volumes. Manganese prices and volumes were negatively affected by increased production from several smaller suppliers.

Attributable Western Australian iron ore production was 62.3 million wet tonnes, an increase of 7 per cent. Production of Samarco pellets, pellet feed and sinter fines was 5.6 million tonnes, a decrease of 25 per cent, due mainly to lower demand for pellets.

Queensland coal production was 28.4 million tonnes, a decrease of 7 per cent. The lower production was mainly due to the sell-down of our interest in the Central Queensland Coal Associates (CQCA) and Gregory joint ventures in June 2001 to form the BHP Billiton Mitsubishi Alliance.

Illawarra Coal production was 7.1 million tonnes, an increase of 8 per cent, resulting in higher sales for the year. In February this year we announced that the Tower mine would close by December 2002.

Manganese alloy production was 619 000 tonnes, a decrease of 4 per cent. Manganese ore production was 3.5 million tonnes, a decrease of 6 per cent, in line with reduced demand for high-grade ore. Boodarie Iron production was 1047 million tonnes. Production was temporarily suspended between March and July due to a tube failure in a gas re-heating furnace. Ramp-up to forecast production levels is continuing.

Development activities
Development activities during the year focused on both greenfield and brownfield projects.

Construction commenced on the Dendrobium metallurgical coal mine, and the integration of the Blackwater and South Blackwater metallurgical coal mines progressed on schedule and under budget.

Major iron ore growth projects were approved in April with the US$213 million (100% terms) Mining Area C (MAC) development and the US$351 million (100% terms) Port and Capacity Expansion (PACE) project. In a joint venture agreement, Korean steelmaker POSCO will acquire a 20 per cent interest in the 'C Deposit' section of MAC.

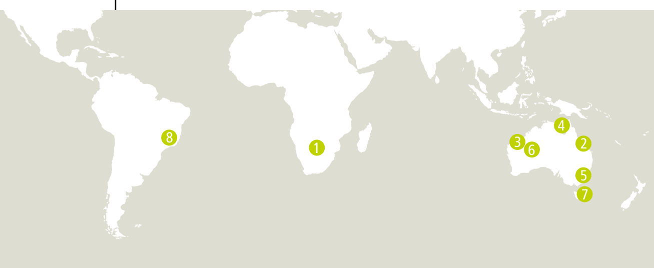
HSEC
Regrettably, two fatalities occurred at our operations during the year. We are committed to an improved health and safety performance in 2003 as part of our goal of achieving zero harm. Good progress was made in reducing the risks and number of incidents involving mobile equipment and light vehicles. In addition, our injury frequency rate reduced significantly, compared with the previous period. A number of environment and community initiatives were successfully implemented in areas such as land rehabilitation, emission reduction and dust management. Progress also continued towards the achievement of ISO 14001 certification across all sites, with both the Manganese and Western Australian Iron Ore businesses meeting this target.

Outlook
Our focus will be on maintaining our competitive position and attractive margins in the face of a challenging global market and appreciating currencies. Key objectives for the year include successfully progressing the MAC, PACE and Dendrobium projects, and participating in growth opportunities in China. The emphasis on cost reduction will continue through the Operating Excellence program, as will the delivery of value through the global marketing network.

Bob Kirkby, President

	US$ million
Turnover	3 306
EBIT, excluding exceptional items	1 084
Capital and investment expenditure	284
Net operating assets	2 573

1. Samancor Manganese (South Africa)
2. Queensland Coal (Australia)
3. Boodarie Iron (Australia)
4. GEMCO (Australia)
5. Illawarra Coal (Australia)
6. WA Iron Ore (Australia)
7. TEMCO (Australia)
8. Samarco (Brazil)



'We are determined to protect our market position and maintain attractive margins.'

Mt Whaleback iron ore mine, Newman, Western Australia

Jill Mathieson, Strategic Maintenance Planner – Briquetting, Boodarie Iron, Port Hedland, Western Australia

Energy Coal

Results

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$536 million, compared with US$382 million in 2001, an increase of US$154 million or 40 per cent.

Major reasons for the increase were higher export market prices, the weaker South African rand exchange rate, and cost improvement initiatives. However, these were partially offset by the inflationary impact of the weaker exchange rate on operating costs, lower export volumes due to an unseasonably warm winter and lower natural gas prices in Europe, as well as reduced domestic demand, mainly in the US.

Markets and operations

There was a significant increase in export market prices, despite weaknesses in spot prices over the last quarter of the financial year. At 30 June 2002, Free On Board (FOB) prices for sales from South Africa were between US$22 and US$23 per tonne, a 33 per cent decrease over the course of the year.

The evolution of the European coal market towards full liberalisation continued, and we enhanced the capability of our marketing group in The Hague to deal more effectively in this new environment. Our marketing team in Singapore was also strengthened with the aim of increasing our share of the growing Asian market in line with the start-up of the Mount Arthur North project in Australia.

Production was 82.8 million tonnes, a decrease of 11 per cent. The divestment of the Matla and Glisa mines and PT Arutmin, in addition to production difficulties at the Optimum mine, accounted for 8 million tonnes of the shortfall. Modest production cutbacks were also implemented in South Africa, New Mexico and Colombia in response to reduced market demand.

A substantial improvement in business performance was achieved through continued emphasis on cost reduction, productivity improvement and capital efficiency.

Development activities

We focused on upgrading the quality of the portfolio by divesting under-performing and non-strategic assets and pursuing development opportunities that reinforce our low-cost supply position and extend our multi-sourcing capabilities.

In Indonesia, we sold our 80 per cent interest in PT Arutmin while retaining the marketing rights to 75 per cent of production. We also strengthened our position in Colombia through the acquisition of Intercor. With our consortium partners we now own 100 per cent of the high-quality Cerrejon coal resource and have established an independent management structure to complete the integration of the previously separate operations.

We continued to progress the new San Juan underground mine in New Mexico, the Mount Arthur North open-cut mine in Australia, and the Boschmanskrans and Kwagga projects in South Africa.

HSEC

Tragically five lives were lost in mine accidents. We have further intensified our safety efforts and implemented a 10-point strategy focused on fatality prevention, safety behaviour and safety leadership development across all assets. We continued working on critical health issues, including HIV/AIDS in our South African operations, and managing our relationship with communities around the assets to deliver positive outcomes for all. No significant environmental incidents occurred during the year.

Outlook

The longer-term outlook for export energy coal markets remains positive, with the current unfavourable price environment expected to improve over the coming year.

Our focus will be on progressing approved capital projects and sustaining business improvement initiatives across our assets. We will also continue to build our marketing capabilities in order to deliver enhanced service to our customers and extract greater-than-commodity value from our products.

Mike Oppenheimer, President

	US$ million
Turnover	1 919
EBIT, excluding exceptional items	536
Capital and investment expenditure	295
Net operating assets	2 092

Alex Cooke, Environmental Coordinator
Mt Arthur Coal, Hunter Valley, Australia

Johan Coetzee and Bafana Thabethe, Douglas Colliery, South Africa

‘We are moving forward with growth projects to reinforce our low-cost supply position.’

Dragline, Douglas Colliery, South Africa

1 Ingwe (South Africa)
2 Hunter Valley Coal (Australia)
3 PT Kendilo (Indonesia)
4 New Mexico Coal (USA)
5 Cerrejon Coal (Colombia)

Petroleum

Results
Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$1073 million, compared with US$1407 million in 2001, a decrease of US$334 million or 24 per cent.

Major factors driving the decrease were lower average realised oil and LPG prices. The current period was also impacted by lower LPG volumes in Bass Strait and reduced crude oil volumes, primarily due to natural field decline in the Laminaria, Bass Strait and Griffin oil fields. These factors were partly offset by infill programs in Bass Strait and Griffin.

Earnings in the corresponding period benefited from the sale of the Buffalo oil field in March 2001.

A positive aspect of this year's earnings was the inclusion of profits from the Zamzama gas field and the Typhoon oilfield, which commenced operations in March 2001 and July 2001 respectively.

Markets and operations
With the volatility in oil prices, the average realised oil price was US$22.58 per barrel, compared to US$28.04 per barrel in the corresponding period. The average realised LPG price was US$214.62 per tonne, compared to US$299.18 per tonne.

Total production for the year was 133.8 million barrels of oil equivalent, comprising 65 per cent liquids (crude oil, condensate and LPG) and 35 per cent gas. Our three major producing assets are Bass Strait, the North West Shelf and Liverpool Bay.

Oil and condensate production was 78.5 million bbl, a decrease of 1 per cent. During the year, production commenced from the Typhoon oilfield, which has substantially increased our production levels in the Gulf of Mexico. Gas production (excluding LNG) was 223.9 billion cubic feet (bcf), an increase of 9 per cent, mainly due to higher volumes from Liverpool Bay, and the commencement of production at Zamzama and Typhoon. LNG production from the North West Shelf was 59.6 bcf, an increase of 5 per cent.

Development activities
During the year we achieved considerable success with our growth objectives. Projects sanctioned or part sanctioned for development included the Mad Dog and Atlantis oil discoveries and the Zamzama and Minerva gas projects.

We increased our exploration acreage portfolio in the Gulf of Mexico and Trinidad, and added new deepwater acreage offshore South Africa, Brunei and Brazil. Exploration drilling consolidated the reserves base in the greater Angostura area (offshore Trinidad), and we moved into development planning studies for the field.

Construction of the fourth train facilities at the North West Shelf progressed on schedule and we brought several LNG contracts to a conclusion, which constitute the underpinning volumes of the expansion.

In August 2002, the North West Shelf Venture was selected as the preferred LNG supplier to Phase One of the Guangdong LNG Terminal and Trunkline Project, to supply 3 million tonnes per annum over a 25-year period.

We approved or executed several brownfield projects, including the Bream gas pipeline and the second phases of the Keith and the Laminaria developments. The execution of the ROD and Ohanet projects in Algeria is continuing.

HSEC
Our injury frequency rate reduced and we had no significant environmental incidents. Two major initiatives were introduced to assist with identifying issues and planning for improvement: a series of HSEC Leadership Workshops were held with the leadership team and HSE personnel; and an HSE Perception Survey was initiated, designed to obtain the views of our employees and contractors as to our strengths and opportunities for improvement. A highlight of the year was the Australian Operated Asset Team achieving ISO 14001 certification for its environmental management and systems.

Outlook
Our key objectives are to progress the Atlantis field to full sanction and execution, and to advance the execution of those projects currently under development. We intend to complete engineering studies and sanction the Greater Angostura field, and we will continue our Gulf of Mexico exploration drilling program. We also aim to finalise the remaining gas sales contracts for the North West Shelf fourth train LNG expansion, and pursue other potential LNG markets in countries outside Japan in order to support a fifth train.

	US$ million
Turnover	2 815
EBIT, excluding exceptional items	1 073
Capital and investment expenditure	711
Net operating assets	2 865

Philip Aiken, President

1 ROD and Ohanet (Algeria)
2 Zamzama (Pakistan)
3 North West Shelf (Australia)
4 Bass Strait (Australia)
5 Griffin (Australia)
6 Minerva (Australia)
7 Laminaria/Corallina (Australia)
8 Liverpool Bay (Europe)
9 Bruce/Keith (Europe)
10 Gulf of Mexico (North America)
11 Bolivia (South America)
12 Trinidad (South America)

'Our priority is to progress our exploration and development activities.'

Nourredine Baibeche, Safety Officer, Algeria

Bream B platform in Bass Strait, Australia

Lennox Platform and Offshore Drilling Unit, Liverpool Bay, UK

Stainless Steel Materials

Results

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$3 million, compared with US$72 million in 2001, a reduction of US$69 million or 96 per cent.

Nickel earnings of US$24 million were offset by a US$18 million loss in Chrome and a US$3 million loss associated with other activities.

The EBIT reduction was driven by lower realised prices for nickel and cobalt by-product, down 17 per cent and 33 per cent respectively, together with ferrochrome prices being at historic lows. Ferrochrome prices were driven by large stock overhangs, reduced stainless steel volumes, and by the devaluation of the South African rand against the US dollar.

These factors were partly offset by the effects of the lower rand/US$ exchange rate on related operating costs in Chrome, and increased nickel production from Cerro Matoso Line II, which commenced production on 1 January 2001.

Markets and operations

Stainless steel demand suffered a major downturn as the global economy faltered. Nickel and ferrochrome demand was severely depressed, with prices approaching historic lows. With the fragile recovery in industrial production in early 2002, stainless steel melting increased, leading to an upturn in the nickel price from a cyclical low in November 2001. Ferrochrome demand also increased, but price improvement lagged nickel because of strong producer competition and excess stocks worldwide.

Ramp-up of the Cerro Matoso Line II expansion continued to meet expectations and remains on schedule. The plant rehabilitation program at the QNI Yabulu Refinery is near completion, with production stabilising at historically high levels and consequent cost reductions. Yabulu operating costs also benefited from a lower Australian dollar exchange rate for the early part of the year, although this was offset by higher prices for fuel oil and low cobalt by-product credits.

At Samancor Chrome, a major restructuring program was initiated, the benefits of which were seen in lower production costs in the second half of the financial year, despite reduced volumes. This program included the closure of the Palmiet Ferrochrome facility.

Development activities

The Ravensthorpe/Yabulu Extension feasibility study progressed, with positive results from extensive pilot plant test work and finalisation of the process flow sheet incorporating the atmospheric leach technology developed by BHP Billiton. This project will provide high-grade feed to Yabulu at low cost and significantly improve the competitiveness of QNI's operations. The refinery's Optimisation Initiative is also achieving increased metal recoveries and reduced energy consumption. Two new 85 ktpa capacity ferrochrome furnaces were commissioned at the Wonderkop Joint Venture (Samancor Chrome 50 per cent). A new pelletising plant was completed, which will significantly improve productivity at Samancor Chrome's Tubatse site.

HSEC

All operations are fully committed to a 'safety first' culture, and considerable improvements in overall safety performance were achieved. In particular, our injury frequency rate reduced significantly. Despite this, two people lost their lives in tragic accidents at our Samancor Chrome operations. Investigations were completed and corrective actions implemented. Our nickel operations further progressed their community and sustainable development programs.

Outlook

Significant expansions in stainless steel melting capacity (currently being commissioned) are resulting in increased demand and strengthening prices for nickel and chrome. Looking forward, the focus will be on enhancing our position as a supplier of quality raw materials to the rapidly expanding stainless steel industry. We will do this by reducing production costs at our existing nickel operations, and progressing the operational improvement project at Yabulu. Our aim is to finalise the Ravensthorpe/Yabulu Extension project studies and implement development if feasibility is confirmed. At Cerro Matoso, the ramp-up of Line II will be followed by a new program of operational improvements. We also aim to further reduce ferrochrome production costs through continuation of the restructuring program at Samancor Chrome.

Chris Pointon, President

	US$ million
Turnover	868
EBIT, excluding exceptional items	3
Capital and investment expenditure	84
Net operating assets	1 663

'We are focusing on reducing production costs and optimising productivity.'

Craig Richardson, Yabulu Refinery, Australia

Metal tapping process, Cerro Matoso, Colombia

Steel

Results for the Steel segment
Excluding exceptional items, the Steel segment contributed earnings before interest and tax (EBIT) of US$101 million in the year ended 30 June 2002, down from US$270 million, a decrease of 62.6 per cent compared with the corresponding period. The reduction was mainly due to lower international prices for steel products and the exclusion of operating profits from disposed businesses (primarily OneSteel Limited) which were included in the corresponding period.

These factors were partly offset by stronger Australian domestic demand for value-added coated products, and the profit from the sale of the Australian and US strapping businesses.

Raw steel production for the year of 5.3 million tonnes was 2 per cent less than 2001, reflecting production down-time associated with industrial action, planned maintenance and the re-line of the New Zealand Steel melter.

Overview
On 15 July 2002, BHP Steel Ltd commenced trading on the Australian Stock Exchange as a separate listed company. The demerger of BHP Steel was approved by shareholders on 26 June 2002 and by the Court on 1 July 2002. This development will enable the entity to grow as an independent company and pursue its own business strategy without having to compete for capital with other businesses in the BHP Billiton portfolio. It also allows BHP Billiton to focus on its minerals and petroleum businesses.

BHP Steel is the largest steel business in Australia and New Zealand, serving customers in the building and construction, manufacturing, automotive and packaging industries. The business specialises in the production of flat steel products, including slab, hot rolled coil, cold rolled coil, plate, tin plate and value-added metallic coated and painted steel products. In 2002, it held leading market positions in Australia and New Zealand for most of its products and continued to build on its established presence in Asia. BHP Steel also had significant export sales, supplying a core group of customers in the US, Asia, Europe, the Middle East, Africa and the Pacific through its international sales network. BHP Steel comprised the majority of the BHP Billiton Steel segment.

Markets and operations
BHP Steel's Port Kembla operation in New South Wales is the largest steel production facility in Australia and one of the world's lowest-cost producers of steel products. The Port Kembla Steelworks operates in the lowest quartile of the world steel production cost curve, at an annual production capacity of 5.0 million tonnes.

BHP Steel also operates the only integrated flat products steelworks in New Zealand and has a 50 per cent share in the North Star BHP Steel mini mill in Ohio, in the US. Steel rolling, coating and painting plants are located in Australia, New Zealand, Thailand, Malaysia and Indonesia. These facilities are complemented by a network of roll-forming facilities across the Asia Pacific region that are unmatched by any steel company.

Leading market positions
Historically, BHP Steel has held leading market positions in flat steel products, supplying approximately 80 per cent of the total tonnes of product sold into the Australian and New Zealand markets. Approximately half of BHP Steel's Australian and New Zealand sales in tonnes were export sales in the year ended 30 June 2002.

BHP Steel is well-known for its value-added brands including COLORBOND® steel (known as COLORSTEEL® in New Zealand), ZINCALUME® metallic coated steel, GALVABOND® and GALVASPAN® steel – all leaders in their markets in Australia and New Zealand. In Asian markets, BHP Steel is continuing to develop branded products tailored to meet specific regional needs, such as Clean COLORBOND® steel which is resistant to tropical discolouration. Other successful brands include PrimaDesa™ steel in Malaysia, and TRUZINC™ galvanised steel in Thailand.

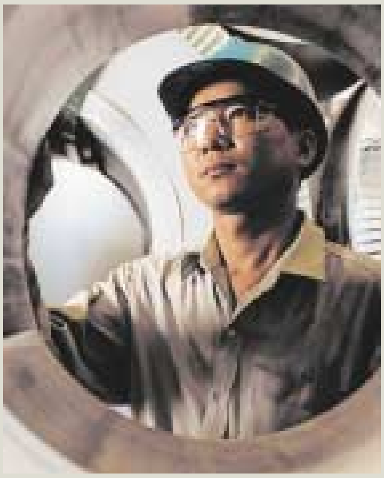
Performance and management
The Steel segment's earnings before depreciation, amortisation, interest and tax (EBITDA) were US$238 million in the year ended 30 June 2002. Led by Mr Kirby Adams as Chief Executive Officer since March 2000, a strong and experienced management team maintained a strong focus on costs, productivity and working capital. The team offered a well-balanced mix of financial, technical, marketing, operational and strategic management capabilities that proved invaluable in a year when global steel prices were at, or about, historic lows.

The demerger of BHP Steel
The demerger of BHP Steel from BHP Billiton was implemented by way of a capital reduction and a distribution of BHP Steel shares to eligible BHP Billiton Limited shareholders who held fully paid shares. While BHP Billiton Plc shareholders did not receive shares, to ensure equality of treatment they received a bonus issue of BHP Billiton Plc shares to reflect the value of BHP Steel shares being distributed to BHP Billiton Limited shareholders.

Steel segment (to 30 June 2002)	US$ million
Turnover	2 785
EBIT, excluding exceptional items	101
Capital and investment expenditure	100
Net operating assets	2 133

'BHP Steel has a proud history and an exciting future.'

Kirby Adams, Managing Director and CEO



Steel provides inspired product solutions in a wide range of applications

Health, Safety, Environment and Community (HSEC) Review

'The merger between BHP and Billiton has provided significant advantages in terms of the new Company's ability to deliver improved HSEC performance and contribute to sustainable development outcomes for all our stakeholders.'

One of the key advantages of the Company's diversified portfolio is that it provides the stability of cash flow required to take a longer-term view on all aspects of our business, including environmental and community issues. It also gives us increased access to expertise and best practices that can be shared across the organisation, creating a faster rate of improvement.

Our approach to sustainable development is underpinned by our Charter, which values, 'an overriding commitment to health, safety, environmental responsibility and sustainable development'. The Charter is supported by an integrated HSEC Policy that outlines our principles in relation to these issues, under the goal of 'zero harm'. The Charter and Policy are implemented via detailed Management Standards, the requirements of which must be met at all operations.

An auditing process has been established to monitor implementation of the Management Standards and ensure improvement plans are in place. The results from this program are very encouraging, with solid progress across the organisation. Fifty-five per cent of our operations have now also achieved certification to the international environmental management standard ISO 14001.

The work of the Health, Safety and Environment Committee of the Board continued during the year, with several members participating in site reviews. The Committee also provided guidance in relation to the development and implementation of the Company's health and safety programs.

In addition to our internal HSEC endeavours, we have been active members of the Global Mining Initiative (GMI). Established in 1998 by 10 of the world's largest mining companies, the purpose of the GMI has been to develop the industry's role and responsibilities in the transition to sustainable development.

The core components of the GMI were an independently managed Mining, Minerals and Sustainable Development study of the global industry's current and potential contribution to sustainable development; the International Council on Mining and Metals (ICMM), which was established in 2001 to provide a global leadership body for the industry on sustainable development; and the GMI conference, which was held in May 2002 in Toronto, Canada. We are now working with the ICMM to develop work plans to address the key recommendations arising from the GMI process.

On 1 July 2002, we formally committed to the United Nations Global Compact and its associated principles. The Compact was developed by the United Nations to help realise UN Secretary General Kofi Annan's vision of making globalisation more inclusive, stable and equitable – 'giving a human face to the global market'. The Compact principles address the three key areas of human rights, labour standards and the environment.

In terms of our HSEC performance for the period, safety is an area in which our focus has intensified. All our safety performance indicators have improved and we are pleased to report a 9 per cent reduction in our injury frequency rate. It is, however, with great regret that we report the deaths of 13 employees or contractors. We will relentlessly pursue any opportunity to achieve our goal of zero fatalities.

Environmental performance across the Company continued to improve; however, one significant incident occurred at Port Kembla Steelworks. In relation to greenhouse gas emissions, we aim to achieve an improvement in the greenhouse intensity of our operations' emissions and have set ourselves a target of a 5 per cent reduction in greenhouse gas intensity for the period 2002 to 2007.

Relationships with our community stakeholders continued to develop. In line with our Charter values, we are committed to contributing 1 per cent of our pre-tax profit to community programs, based on a three-year rolling average. Our contributions during the year represented 1.4 per cent of our pre-tax profit, significantly exceeding our target. Many of the programs focus on helping communities to maximise and sustain the benefits of our activities through employment opportunities, training, education and health care. During the period, we completed our withdrawal from the Ok Tedi copper mine in Papua New Guinea through the transfer of the Company's equity to an independent company established to deliver sustainable community development programs.

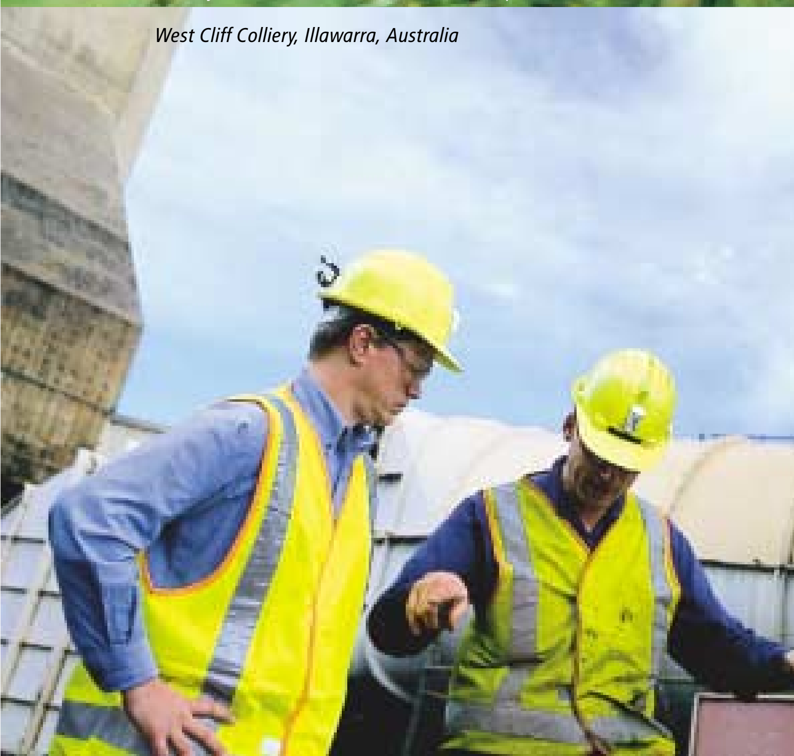
Further details of our HSEC activities are presented in our separate dedicated HSEC Report, which includes specific targets set by the Company together with a scorecard and an expanded summary of our performance. The HSEC Report has been prepared in accordance with the 2002 Global Reporting Initiative Guidelines. Having made progress overall in our HSEC performance through the year, future efforts will be reinforced by the incorporation of HSEC initiatives into the Company's Strategic Framework.

Colin Bloomfield
Vice President, Health, Safety and Environment

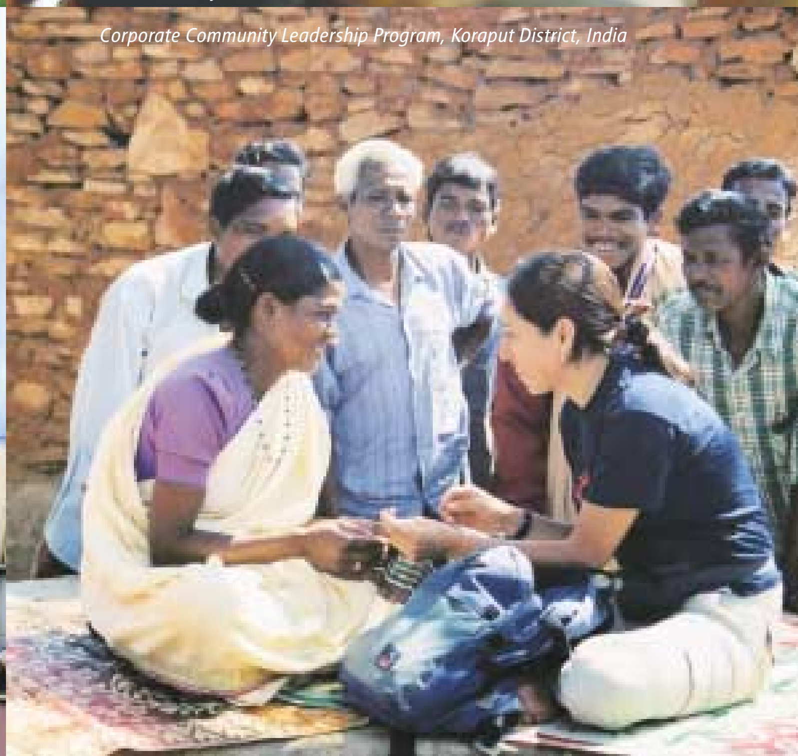
Graham Evans
Vice President, Government and Community Relations

Nursery, West Coast Fossil Park, Western Cape Province

Ilembe Primary School near Hillside, South Africa

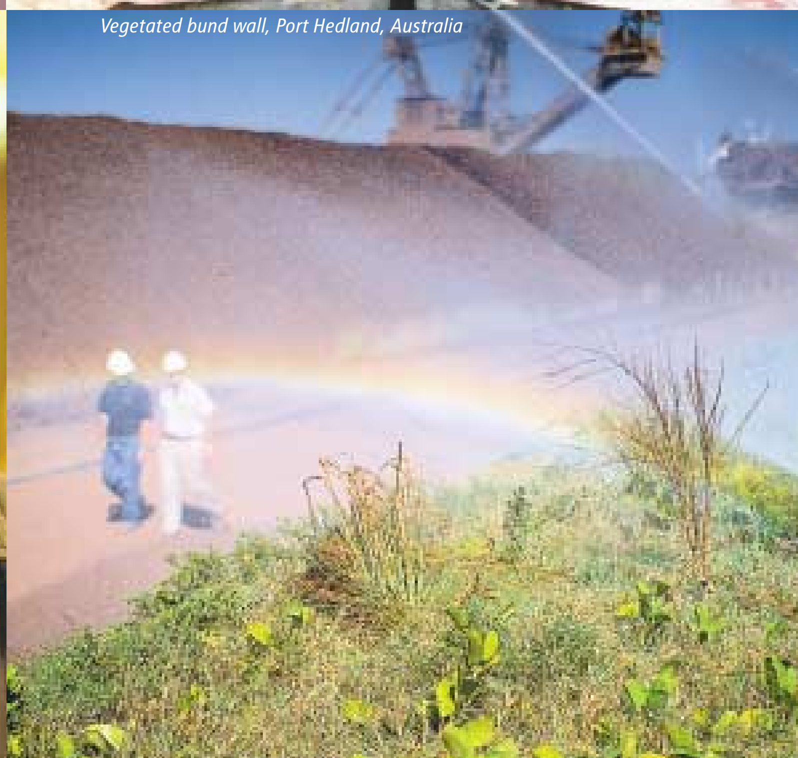


West Cliff Colliery, Illawarra, Australia



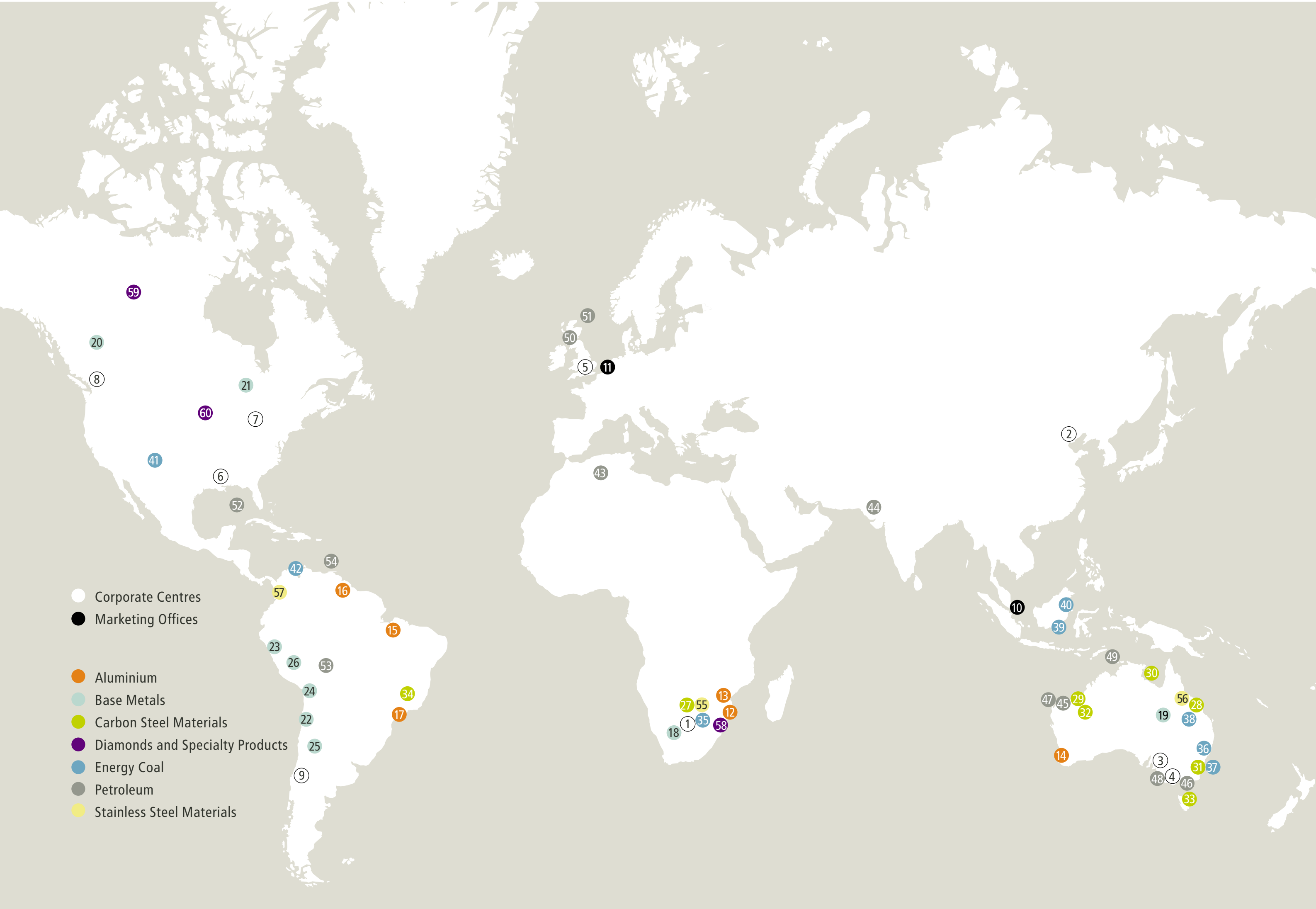
Corporate Community Leadership Program, Koraput District, India

Trainee Program, Newman, Western Australia



Vegetated bund wall, Port Hedland, Australia

BHP Billiton Locations



Corporate Centres

Map Ref	Continent	Location
1	Africa	Johannesburg
2	Asia	Beijing
3	Australia	Adelaide
4	Australia	Melbourne (Global Headquarters)
5	Europe	London
6	North America	Houston
7	North America	Toronto
8	North America	Vancouver
9	South America	Santiago

Marketing Offices

Map Ref	Continent	Location
10	Asia	Singapore
11	Europe	The Hague

Aluminium

Map Ref	Continent	Site/Asset	Description	% Ownership
12	Africa	Hillside/Bayside, South Africa	Two aluminium smelters	100%
13	Africa	Mozal, Mozambique	Aluminium smelter	47%
14	Australia	Worsley, Australia	Integrated alumina refinery/bauxite mine	86%
15	South America	Alumar, Brazil	Alumina refinery and aluminium smelter	36–46%
16	South America	Paranam, Suriname	Billiton Maatschappij Suriname (BMS) alumina refinery & Lelydorp bauxite mine	45–76%
17	South America	Valesul Aluminio SA, Brazil	Aluminium smelter	46%

The assets that comprise the BHP Billiton portfolio are among the finest in the industry. Excellence at the asset level is the foundation of our business.

Base Metals

Map Ref	Continent	Site/Asset	Description	% Ownership
18	Africa	Pering, South Africa	Zinc-lead mine located in the North West Province	100%
19	Australia	Cannington, Australia	Silver, lead and zinc mine in north-west Queensland	100%
20	North America	Highland Valley Copper, Canada	Highland Valley Copper mine in British Colombia	33.6%
21	North America	Selbaie, Canada	Open pit operation producing zinc and copper concentrate and by-products including gold and silver	100%
22	South America	Escondida, Chile	One of the largest copper mines in the world	57.5%
23	South America	Antamina, Peru	Large copper-zinc mine	33.75%
24	South America	Cerro Colorado, Chile	Copper mine in Northern Chile, producing cathode copper through a SXEW leach operation	100%
25	South America	Alumbrera, Argentina	Copper concentrate producer, with gold by-products	25%
26	South America	Tintaya, Peru	Produces copper concentrate and copper cathode within the 'Skarn Belt' of south-eastern Peru	100%

Carbon Steel Materials

Map Ref	Continent	Site/Asset	Description	% Ownership
27	Africa	Samancor, Manganese, South Africa	Integrated producer of chrome and manganese ores and ferroalloys (Also part of Stainless Steel Materials Customer Sector Group)	60%
28	Australia	Queensland Coal, Australia	World's largest supplier of high-quality metallurgical coal for steel production	50–80%
29	Australia	Boodarie Iron, Australia	Hot briquetted iron plant	100%
30	Australia	GEMCO Australia	Groote Eylandt Mining Co Pty Limited (GEMCO) producer of manganese ore (part of Samancor)	60%
31	Australia	Illawarra Coal, Australia	Five underground coal mines	100%
32	Australia	WA Iron Ore, Australia	The Pilbara iron ore mines rank among the world's best long-life iron ore assets	85–100%
33	Australia	TEMCO, Australia	Tasmanian Electro Metallurgical Company Pty Limited (TEMCO), producer of manganese alloys (part of Samancor)	60%
34	South America	Samarco, Brazil	An efficient low-cost producer of iron ore pellets	50%

Energy Coal

Map Ref	Continent	Site/Asset	Description	% Ownership
35	Africa	Ingwe, South Africa	Largest coal producer in South Africa	100%
36	Australia	Hunter Valley Coal, Australia	New 12mtpa mine (Mount Arthur North) being developed adjacent to Bayswater mine	100%
37	Australia	Illawarra Coal, Australia	Marketing agent for energy coal output	–
38	Australia	BMA, Australia	Marketing agent for energy coal output	–
39	Asia	PT Arutmin, Indonesia	Marketing agent for 75% of coal output	–
40	Asia	PT Kendilo, Indonesia	Petangis mine	100%
41	North America	New Mexico Coal, USA	Mine-mouth operations incl. new underground mine development	100%
42	South America	Cerrejon Coal (Carbones del Cerrejon, Cerrejon Zona Norte mines), Colombia	Largest producer in Colombia	33%

Petroleum

Map Ref	Continent	Site/Asset	Description	% Ownership
43	Africa	Algeria	ROD and Ohanet developments	35.1–45%
44	Asia	Zamzama, Pakistan	Gas production	38.5%
45	Australia	North West Shelf	One of Australia's largest resource projects, producing liquids, LNG and domestic gas	8.33–16.67%
46	Australia	Bass Strait	The Bass Strait operations produce oil, condensate, LPG, natural gas and ethane	50%
47	Australia	Griffin	Operator of oil & gas project offshore WA	45%
48	Australia	Minerva	Gas field under development in the Otway Basin	90%
49	Australia	Laminaria/ Corallina	Oil production in the Timor Sea	25–32.6%
50	Europe	Liverpool Bay	Operator of oil and gas development in the Irish Sea	46.1%
51	Europe	Bruce/Keith	Oil and gas production in the UK North Sea	16–31.83%
52	North America	Gulf of Mexico	Interests in four producing assets in the Gulf of Mexico; development activities and exploration interests	4.95–50%
53	South America	Bolivia	Oil and gas production	50%
54	South America	Trinidad	Exploration activities	30–50%
–	Various	Exploration	Exploration interests in Africa (Angola, Gabon, South Africa), Brunei, Brazil, Australia, USA, Trinidad and the UK	–

Stainless Steel Materials

Map Ref	Continent	Site/Asset	Description	% Ownership
55	Africa	Samancor, Chrome, South Africa	Integrated producer of chrome and manganese ores and ferroalloys (Also part of Carbon Steel Materials Customer Sector Group)	60%
56	Australia	QNI Yabulu, Australia	The Yabulu refinery is one of the world's major laterite nickel-cobalt processing plants	100%
57	South America	Cerro Matoso, Colombia	Integrated ferro-nickel mining and smelting complex in north Colombia	99.8%

Diamonds and Specialty Products

Map Ref	Continent	Site/Asset	Description	% Ownership
58	Africa	Richards Bay Minerals, South Africa	World's largest producer of titanium slag	50%
59	North America	Ekati™, Canada	Diamond mine in the Northwest Territories of Canada	80%
60	North America	Integris Metals	Metals distribution	50%

Board of Directors

Paul Anderson
BS (Mech Eng), MBA, 57

As Chief Executive Officer, Paul Anderson brought to BHP Billiton a proven track record in creating shareholder value through an extensive executive career in the United States. His contribution to the Board continues to be enjoyed, pending his retirement at the conclusion of the 2002 Annual General Meeting.

A Director since December 1998 and retired as Chief Executive Officer and Managing Director of BHP Billiton Limited and BHP Billiton Plc on 1 July 2002. Former Chief Executive Officer and Managing Director of BHP Limited since 1998 and of BHP Billiton Limited and BHP Billiton Plc since June 2001. He was previously President and Chief Operating Officer of Duke Energy Corporation, President, Chairman and Chief Executive Officer of PanEnergy Corporation and a Director of Kerr-McGee Corporation, Baker Hughes Incorporated and TEPPCO Partners, LP. He is currently a Director of Qantas Airways Limited, Temple-Inland Inc, the Stanford University Graduate School of Business and a Global Counsellor for The Conference Board.

Don Argus
AO, FAIB, FCPA, FAICD, 64

Don Argus brings to the Chairmanship of BHP Billiton considerable experience in international business and a strong management background.

Appointed a Director of BHP Limited in November 1996 and Chairman in April 1999. Chairman of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Nomination Committee. Former Managing Director and Chief Executive Officer of the National Australia Bank Limited. He is Chairman of the Brambles Group and a Director of Southcorp Holdings Limited and the Australian Foundation Investment Company Limited. He is also a member of the International Advisory Council of Allianz Aktiengesellschaft.

David Brink
MSc Engineering (Mining), D Com (hc), 63

Dave Brink brings considerable mining and finance experience to the Group. He has over 20 years experience in the mining industry, in particular, shaft sinking, tunnelling and exploration contracting, followed by 12 years as the Chief Executive Officer of a major listed construction, engineering and manufacturing conglomerate.

A Director of Billiton Plc since July 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Health, Safety and Environment Committee and a member of the Nomination Committee and Risk Management & Audit Committee. He is Chairman of Murray & Roberts Holdings Limited and Unitrans Limited and Deputy Chairman of ABSA Bank Limited and ABSA Group Limited. He is also a Director of Sanlam Limited and Sappi Limited and Vice President of the South Africa Foundation and the South African Institute of Directors.

Michael Chaney
BSc, MBA, FAIM, FAICD, 52

Mike Chaney brings commercial expertise to the Board, developed over many years as the Chief Executive Officer and Managing Director of Wesfarmers Limited.

A Director of BHP Limited since May 1995 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. He is a Director of Gresham Partners Group Limited, a trustee of the Committee for the Economic Development of Australia, a member of the Business Council of Australia and the Council of the National Gallery of Australia, a Director of the Centre for Independent Studies and Chairman of the Australian Research Alliance for Children and Youth.

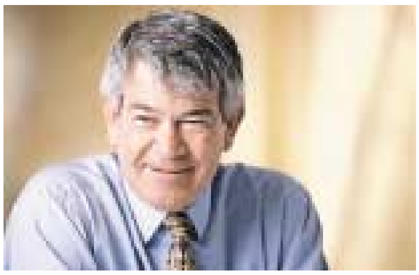

Paul Anderson


Don Argus


David Brink


Michael Chaney


David Crawford


Brian Gilbertson

David Crawford
B Comm, LLB, FCA, FCPA, FAICD, 58

David Crawford has extensive experience in risk management and business reorganisation, having acted either as a consultant, scheme manager, receiver and manager or liquidator to very large and complex groups of companies. He has significantly contributed to the restructuring of the Group's Risk Management & Audit Committee (of which he is Chairman), and as Chairman of the BHP Superannuation Fund has overseen the restructuring of that fund to an outsourced managed fund.

A Director of BHP Limited since May 1994 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A Director of Lend Lease Corporation Limited, Foster's Group Limited, National Foods Limited and Westpac Corporation Limited, he is former Australian National Chairman of KPMG, Chartered Accountants.

Brian Gilbertson
MSc, MBL, 59

Brian Gilbertson has more than 30 years experience in the mining industry.

Formerly Executive Chairman and Chief Executive of Billiton Plc, he became Deputy Chief Executive Officer on the merger and assumed the role of Chief Executive on 1 July 2002. With Paul Anderson, Brian Gilbertson oversaw the merger. He is a member of the Health, Safety and Environment Committee and a Director of the South African Reserve Bank.

Charles Goodyear
BSc, MBA, FCPA, 44

Before joining the BHP Group as Chief Financial Officer in 1999, Charles Goodyear had extensive financial, corporate restructuring and merger and acquisition experience in the United States.

A Director of BHP Billiton Limited and BHP Billiton Plc since November 2001. Appointed Chief Development Officer in June 2001. Former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc.

Cornelius Herkströter
CA, 65

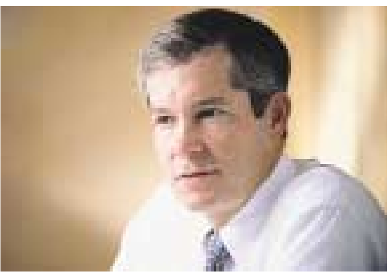
Cor Herkströter has broad international business experience with special interests in human resources and the environment. He has held various executive appointments throughout Europe and South East Asia with Billiton and Shell.

A Director of Billiton Plc since July 1998 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Risk Management & Audit Committee. He is Professor of International Management at Amsterdam University, Chairman of the Supervisory Board of the ING Group, trustee to the Board of the International Accounting Standards Committee and Chairman of Supervisory Board of DSM. Former President of the Royal Dutch Petroleum Company and Chairman of the Committee of Managing Directors of the Royal Dutch/Shell group of companies.

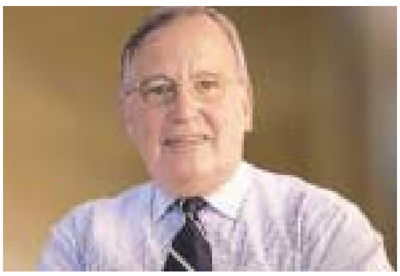
John Jackson
BA, LLB, 73

A lawyer, John Jackson has business experience in a wide range of industries including electronics, engineering, pharmaceuticals and fine chemicals, biotechnology, hotels, property, retailing and printing.

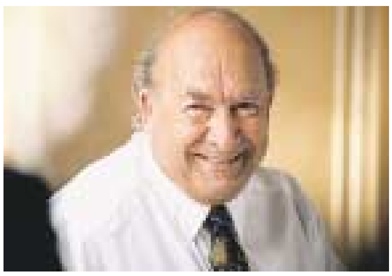
A Director of Billiton Plc since July 1997 and Senior Independent Director of that company. A Director and Deputy Chairman of BHP Billiton Limited and BHP Billiton Plc since June 2001. He will retire from the Board in November 2002. Chairman of the Remuneration Committee. He is Chairman of Celltech Group Plc, Oxford Technology Venture Capital Trust Plc, Wyndeham Press Group Plc and Xenova Group Plc, a Director of WPP Group Plc, Arkios Ltd and Brown & Jackson Plc and is non-solicitor Chairman of Mishcon de Reya.



Charles Goodyear



Cornelius Herkströter



John Jackson

Board of Directors continued

David Jenkins
BA, PhD (Geology), 63

David Jenkins' executive career at British Petroleum makes him a recognised authority on all facets of oil and gas technology.

A Director of BHP Limited since March 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Health, Safety and Environment Committee and the Risk Management & Audit Committee. A Director of Chartwood Resources Ltd, a private company providing consultancy services and business and technology advice to the oil industry. Former Chief Geologist and Chief Technology Advisor to the British Petroleum Company. He is a member of the Technology Advisory Committee of the Halliburton Company, the Technology Advisory Board of Landmark Graphics and the Advisory Council of Consort Resources. He also chairs the Energy Advisory Panel of Science Applications International Corporation.

John Ralph
AC, FCPA, FAIM, FAICD, FAusIMM, 69

John Ralph has extensive experience in the mining industry, having had a 45-year career with CRA Ltd (now part of the Rio Tinto Group) before retiring as Managing Director and Chief Executive Officer of that company.

A Director of BHP Limited since November 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. He will retire from the Board in November 2002. A member of the Remuneration Committee. Chairman of the Commonwealth Bank of Australia and Deputy Chairman of Telstra Corporation Limited. Former Chairman of Pacific Dunlop Limited and Foster's Group Limited, and a former Director of Pioneer International Limited. He is also a former President of the Australian Institute of Company Directors and the Business Council of Australia.

Lord Renwick of Clifton
KCMG, MA, 64

Lord Renwick has wide international and financial expertise. He served as British Ambassador to South Africa from 1987 to 1991 and as British Ambassador to the US from 1991 to 1995. He is currently Vice Chairman, Investment Banking, JP Morgan Plc.

A Director of Billiton Plc since July 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nomination Committee and the Remuneration Committee. He is Chairman of Fluor Limited, Director of British Airways Plc, Compagnie Financiere Richemont, Fluor Corporation, SAB Miller Plc and Harmony Gold Mining Co Ltd.

John Schubert
BC Eng, PhD (Chem Eng), FIEAust, FTSE, 59

John Schubert's contribution to the deliberations of the Board comes from his 23 years' experience in the oil industry where he also had mining and financial responsibilities. He has experience in mergers, acquisitions and divestments, project analysis and management.

A Director of BHP Limited since June 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nomination Committee and the Remuneration Committee. Deputy Chairman of the Commonwealth Bank of Australia, a Director of Qantas Airways Limited, Hanson Plc, the Australian Graduate School of Management and the Great Barrier Reef Research Foundation. He is also non-executive Chairman of G2 Therapies Limited and of the Advisory Board of Worley Limited and President of the Business Council of Australia. Former Managing Director and Chief Executive Officer of Pioneer International Limited and former Chairman and Managing Director of Esso Australia Limited.

Company Secretary
Karen Wood
BEd, LLB (Hons), FCIS, 46

Company Secretary of BHP Billiton Limited and BHP Billiton Plc since 2001. She is a member of the Takeovers Panel (Australia), a member of the Law Institute of Victoria and a Fellow of the Institute of Chartered Secretaries.

David Jenkins

John Ralph

Lord Renwick of Clifton

John Schubert

Executive Committee

Paul Anderson
BS (Mech Eng), MBA, 57

A Director since December 1998 and retired as Chief Executive Officer and Managing Director of BHP Billiton Limited and BHP Billiton Plc in June 2002. Former Chief Executive Officer and Managing Director of BHP Limited since 1998 and of BHP Billiton Limited and BHP Billiton Plc since June 2001. He was previously President and Chief Operating Officer of Duke Energy Corporation, President, Chairman and Chief Executive Officer of PanEnergy Corporation, a Director of Kerr-McGee Corporation, Baker Hughes Incorporated and TEPPCO Partners, LP. He is currently a Director of Qantas Airways Limited, Temple-Inland Inc, the Stanford University Graduate School of Business and a Global Counsellor for The Conference Board.

Philip Aiken
BE(Chem), 53

Appointed President and Chief Executive Officer Petroleum in October 1997. Former Director BTR Plc and former Managing Director BTR Nylex, following a long career at BOC Plc where his last role was Managing Director Gases Europe. He is a Director of Robert Walters Plc and the Mt Eliza Business School.

John Fast
BEc (Hons), LLB (Hons), ASIA, 52

Appointed Chief Legal Counsel in December 1999. Former Senior Commercial Partner, Arnold Bloch Leibler. Director of the Medical Research Foundation for Women and Babies. He is a member of the Strategic Advisory Board to the Melbourne Law School's Graduate Program in Law, an Associate of the Securities Institute of Australia and a member of the Markets Policy Group of that Institute, and a member of the Law Institute of Victoria.

Ian Fraser
MA (Hons), MBA, C.Psychol, 41

Appointed Group Vice President Human Resources June 2001. Previously Group HR Director Billiton Plc, Group HR Director Charter Plc, Personnel Controller Woolworths Plc, and Head of Organisation Diagnostics, Hay Management Consultants.


Paul Anderson


Philip Aiken


John Fast


Ian Fraser

Brian Gilbertson
MSc, MBL, 59

Formerly Executive Chairman and Chief Executive of Billiton Plc, he became Deputy Chief Executive Officer on the merger and assumed the role of Chief Executive on 1 July 2002. With Paul Anderson, Brian Gilbertson oversaw the merger. He is a member of the Health, Safety and Environment Committee and a Director of the South African Reserve Bank.

Charles Goodyear
BSc, MBA, FCPA, 44

Before joining the BHP Group as Chief Financial Officer in 1999, Charles Goodyear had extensive financial, corporate restructuring and merger and acquisition experience in the United States.

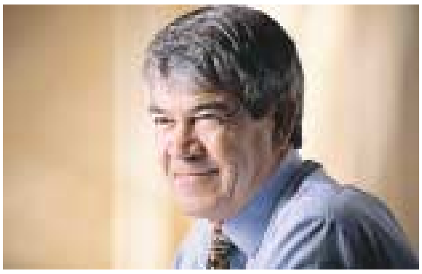
A Director of BHP Billiton Limited and BHP Billiton Plc since November 2001. Appointed Chief Development Officer in June 2001. Former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc.

Bob Kirkby
BE Civil (Hons), Harvard Business School – Advanced Management Program, 55

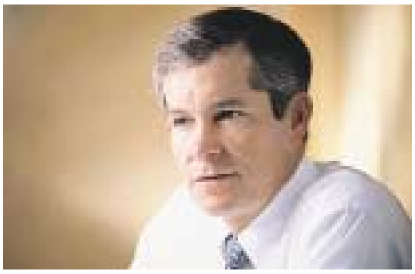
Appointed President Carbon Steel Materials June 2001. Previously Chief Operating Officer, BHP Minerals, President BHP Steelmaking and Energy, Group General Manager and Chief Executive Officer BHP Coal, Group General Manager and Chief Operating Officer of various divisions in BHP Steel, and General Manager Newman-BHP Minerals.

Marius Kloppers
MBA, PhD (Materials Science), BE (Chem), 40

Appointed Vice President Marketing and Chief Marketing Officer June 2001. Previously Group Executive Billiton Plc, Chief Executive of Samancor Manganese, Chief Operating Officer at Billiton Aluminium, General Manager, Hillside Aluminium, and a former consultant at McKinsey Inc.



Brian Gilbertson



Charles Goodyear

Bob Kirkby

Marius Kloppers

Chris Lynch
BComm, MBA, FCPA, 48

Appointed Chief Financial Officer on 14 September 2001. Former Chief Financial Officer BHP Billiton Limited Minerals. Former roles as Vice President and Chief Information Officer for Alcoa Inc in the United States and Chief Financial Officer Alcoa Europe. He was also Managing Director KAAL Australia Ltd, a joint venture company formed by Alcoa Inc of the United States and Kobe Steel of Japan and Corporate Accounting Manager Alcoa of Australia.

Brad Mills
MSc Economic Geology, BSc Geology, 47

Appointed President Base Metals June 2001. Previously Vice President and Chief Strategic Officer, Vice President Strategy, Planning and Business Development, Executive Vice President and Group General Manager Growth and Technology BHP Copper, Executive Vice President Magma Copper Company, Director Corporate Development Echo Bay Management Company and Manager United States Exploration Echo Bay Exploration Inc. Director ICA, Director ERBA Inc, Director Mills Foundation.

Mike Oppenheimer
BSc (Chem Eng), 48

Appointed President Energy Coal June 2001. Previously BHP Minerals, President BHP Coal; BHP Petroleum, President North West Shelf and Gas Marketing, Vice President and General Manager North West Shelf, Vice President Marketing and Business Development Australia/Asia. Director, Richards Bay Coal Terminal, International Colombia Resources Corporation and World Coal Institute; Member of Coal Industry Advisory Board of the IEA.

Miklos Salamon
BSc Mining Engineering, MBA, 47

Appointed President and Chief Executive Officer Minerals in June 2001 and, with effect from February 2002, Acting President Aluminium. With effect from July 2002, President Aluminium, Chairman Stainless Steel and Senior Minerals Executive. From July 1997 to June 2001, he served as an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. He is Chairman of Samancor and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. Former Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.


Chris Lynch


Brad Mills


Mike Oppenheimer


Miklos Salamon

Corporate Governance Statement

This Statement sets out the key governance principles adopted by the Directors in governing the BHP Billiton Group.

In preparing the Statement, the Directors are mindful that the Group operates in many different countries. The Dual Listed Companies structure is predicated on the maintenance of primary listings in Australia and the United Kingdom. BHP Billiton Limited is a registrant of the SEC in the United States and both BHP Billiton Limited and BHP Billiton Plc maintain secondary listings in a number of other jurisdictions.

In formulating the governance practices, Directors have taken into account the regulatory requirements and best practice processes in each jurisdiction. Where governance practices vary across the jurisdictions, as they inevitably do, the Directors have resolved to adopt those practices that they consider to be the better of the prevailing standards.

Shareholders

The Directors of BHP Billiton acknowledge and endorse the expectation of shareholders that their funds will be used in a manner that realises a superior return on investment and that, in pursuing this aim, the Directors will undertake their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects the highest standards of governance.

The shareholders of BHP Billiton play a key role in the governance of the Group by electing the Directors whose task it is to govern on their behalf. One-third of the Directors retire each year by rotation and are subject to re-election by shareholders.

Directors recognise that for shareholders to effectively discharge their responsibilities in electing Directors, and in voting on the other issues that are put to them for consideration, they must receive high-quality, relevant and useful information in a timely manner.

Directors are committed to the promotion of investor confidence by ensuring that trade in the Group's securities takes place in an efficient, competitive and informed market.

The BHP Billiton Charter (set out on page 59) recognises the importance of forthright communication as a key plank in building shareholder value, and that to prosper and achieve growth, it must (among other things) earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in its communications and consistently delivering on its commitments.

BHP Billiton will comply with the continuous disclosure obligations contained in the applicable Listing Rules of the Australian Stock Exchange and the London Stock Exchange and in so doing will immediately notify the market by announcing to all of the stock exchanges on which its securities are listed any information in relation to the business of BHP Billiton that a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of securities.

In addition to its market disclosure, the Directors ensure shareholders are kept informed through a variety of other means:

- Shareholders can gain access to information about the Group, including the annual report and accounts, key policies and the Terms of Reference of its Board Committees, through the website at www.bhpbilliton.com.
- From time to time, briefings with shareholders are conducted in an effort to promote a better understanding of the Group. Site visits are also arranged to give those who advise shareholders a better understanding of the Group's operating facilities.
- In conducting briefings, BHP Billiton takes care to ensure that any price-sensitive information released is made available to all shareholders (institutional and private) and the market at the same time and in accordance with the requirements of the stock exchanges on which the Group is listed.
- This information is also released by email to all persons who have requested their name be added to the contact database. Any person wishing to be added to this database can do so via the Company Homepage at www.bhpbilliton.com.
- The principal communication with private investors is through the provision of the Annual Report and financial statements, the interim statements and the Annual General Meetings. Notice of the Annual General Meetings is posted to shareholders at least 28 days in advance of the meeting. In 2002, the Annual General Meetings for BHP Billiton Limited and BHP Billiton Plc will be held simultaneously on 4 November. The Group will make use of available telecommunications technology to facilitate a single meeting environment with shareholders present in both Melbourne and London. Shareholders are encouraged to use these meetings to ask questions on any matter.

Board of Directors – Composition

Membership

BHP Billiton Limited and BHP Billiton Plc have identical Boards of Directors. (The Boards are hereafter referred to collectively as the Board.)

The names of the Directors in office at the date of this Report, the year of appointment, their status as non-executive, independent or executive Directors and whether they retire at the 2002 Annual General Meetings are set out in the table below.

NAMES OF DIRECTORS IN OFFICE AT THE DATE OF THIS REPORT

	Appointed	Non-executive	Independent	Executive	Retiring in 2002	Seeking re-election in 2002
Paul Anderson (former CEO and Managing Director)	1998	Yes	No	No (Retired as CEO and Managing Director 1 July 2002)	Yes	No
Don Argus (Chairman)	1996	Yes	Yes	No	No	n/a
David Brink	1997	Yes	Yes	No	No	n/a
Michael Chaney	1995	Yes	Yes	No	No	n/a
David Crawford	1994	Yes	Yes	No	No	n/a
Brian Gilbertson (Chief Executive)	1997	No	No	Yes (Former Deputy CEO. Appointed Chief Executive 1 July 2002)	Yes	Yes
Charles Goodyear (Chief Development Officer)	2001	No	No	Yes (Appointed to the Board in November 2001. His appointment is to be ratified by shareholders)	Yes	Yes
Cornelius Herkströter	1998	Yes	Yes	No	No	n/a
John Jackson (Deputy Chairman and Senior Independent Director)	1997	Yes	Yes	No	Yes	No
David Jenkins	2000	Yes	Yes	No	Yes	Yes
John Ralph	1997	Yes	Yes	No	Yes	No
Lord Renwick	1997	Yes	Yes	No	No	n/a
John Schubert	2000	Yes	Yes	No	Yes	Yes

Since the merger, the Board has reduced its size from 17 to 13 Directors. Following the Annual General Meetings there will be 10 Directors in office. Eight will be non-executive Directors and two will be executive Directors. The Board will announce new appointments in due course, with a view to reaching its target of nine non-executive Directors and three executive Directors.

Biographical details for each of the Directors are set out on pages 32 to 34 of this Report.

Retirement and re-election

One-third of the members of the Board retire at each annual general meeting. Re-appointment is not automatic. Retiring Directors must submit themselves to re-election by shareholders. In addition, the Nomination Committee has been tasked by the Board to consider the skills and diversity represented on the Board, on a regular basis.

Shareholders are also required to ratify, at the next annual general meeting, the appointment of any Director appointed throughout the year to fill a casual vacancy. At the 2002 Annual General Meetings, shareholders will be asked to ratify the appointment of Mr Charles Goodyear, who was appointed in November 2001.

The Constitution and Articles of Association of the Group provide that Directors cannot be re-appointed if they have reached the age of 70 years, unless that appointment is approved by shareholders in the form of a special resolution. A Director so appointed must retire at the next annual general meeting.

Independence of non-executive Directors

'Independence' is variously defined in the jurisdictions in which BHP Billiton operates. The Board has considered the associations of each of the 13 Directors in office at the date of this Report and considers 10 of them to be independent. The three Directors who are not considered independent are the two executive Directors, Mr Brian Gilbertson and Mr Charles Goodyear, and the former Chief Executive Officer and Managing Director, Mr Paul Anderson.

None of the 10 independent non-executive Directors has ever been an employee of the Group and the Board considers that none has business or other relationships that could materially interfere with the exercise of their independent judgement. None represents shareholder groups or has significant financial or personal ties to the Group. None participates in share, option or performance-based plans.

Some of the non-executive Directors hold directorships or executive positions in companies with which BHP Billiton has commercial relationships. Details of these directorships and executive positions are set out on pages 32 to 34 of this Report. The Board has considered all of these associations and does not consider that any compromise the independence of the Directors concerned. Refer note 31 to the financial statements.

The concept of independence is further defined in proposed changes to the Listing Standards of the New York Stock Exchange that are awaiting approval by the SEC. The Board will review its determination of independence when those changes have been finalised.

In accordance with the recommendation contained in the UK Combined Code, the Board has appointed Mr John Jackson as the Senior Independent Director of BHP Billiton Plc. Following Mr Jackson's retirement, the Board will nominate another member as its Senior Independent Director.

Skill and experience

The Board considers that, between them, the non-executive Directors bring the range of skills, knowledge and experience necessary to govern the Group, including international experience; understanding the economics of the sectors in which the Group operates; knowledge of world capital markets; and an understanding of the health, safety, environmental and community challenges that the Group faces.

Succession planning

The Board manages planning for its own succession with the assistance of the Nomination Committee. In so doing, the Board:

- considers the skills necessary to allow it to meet the strategic vision for the Group
- assesses the skills currently represented
- identifies any skills not adequately represented and agrees the process necessary to ensure a candidate is selected who brings those skills
- engages in a robust analysis of how Board performance might be enhanced both at individual level and for the Board as a whole.

The Board engages the services of an independent recruitment organisation to undertake a search for suitable candidates.

Performance appraisal

The Board believes that progressive organisations, especially those that appreciate the challenge of operating in a radically different business environment from that of even five years ago, will be more inclined to embrace contemporary performance measures.

It is recognised that it may be difficult in the future for any Director to offer him or herself for re-election unless a performance appraisal has been undertaken.

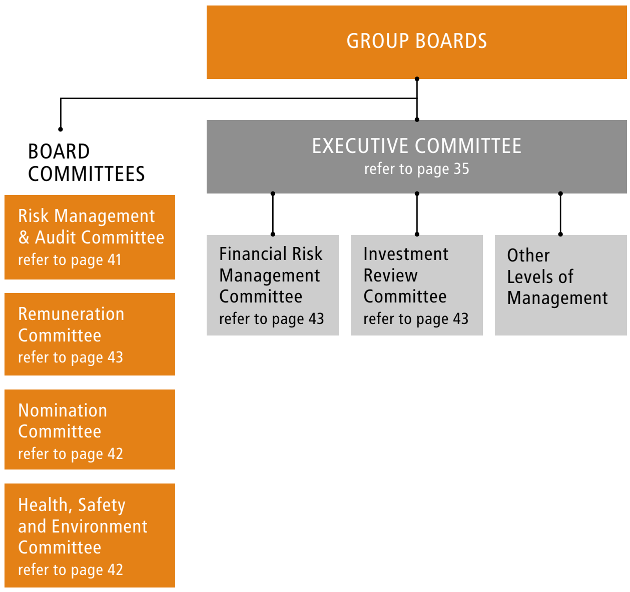
A performance appraisal and Board review is scheduled for early in 2003. The aim is to conduct an objective assessment of the performance of each Director, including the Chairman, and the Board as a whole, and will be facilitated by an independent consultant. The results will provide the Chairman with meaningful material with which to discuss individual performance with each Director and for the Board to discuss the performance of the Chairman.

Board of Directors – Role

The management and control of the business of the Group is vested in the Board.

The Board has a schedule of matters specifically reserved to it for decision. This schedule includes the adoption of the strategic direction of the Group, the appointment of key senior executives, approval of accounts, approval of the business plan and the budget, approval of financial policies, review of operating results, risk management strategy, succession planning and significant capital expenditure. The Board has delegated responsibility for the management of the Group through the Chief Executive to executive management. There is a clear division between the responsibilities of the Board and management. The roles of Chairman and Chief Executive are not combined. The Chief Executive is accountable to the Board for all authority delegated to executive management. The Board has also delegated some of its responsibilities to committees of the Board. These delegations are outlined in the Approvals Framework, which itself is approved by the Board.

A diagrammatic outline of the entities to which delegations have been made is set out below.



With the consent of the Chairman, individual Directors may seek independent professional advice, at the expense of the Group, on any matter connected with the discharge of their responsibilities.

Chairman
The Chairman, Mr Don Argus, is a non-executive, independent Director. He has been Chairman since 1999. The Board delegates to the Chairman responsibility for ensuring the effectiveness of governance practices. The Chairman leads the Board and is responsible for representing the Board to shareholders.

Company Secretary
The Company Secretary is Ms Karen Wood. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary advises the Board on the appropriate procedures for the management of meetings and the implementation of governance procedures. All Directors have access to her advice and services.

Board of Directors – Meetings
The Board met seven times during the year. Each meeting ran for two days, with one meeting (focusing on strategy) running for three days. Four of those meetings were held in Australia and three in the UK.

Details of Director attendance at the meetings held during the year are set out on page 61 of this Report.

The Chairman sets the agenda for each meeting in consultation with the Chief Executive and the Company Secretary. Any Director may have any matter added to the agenda.

Members of senior management regularly attend meetings of the Board.

Copies of Board papers are circulated in advance of meetings to Directors in either electronic or hard copy form.

The Board works to a rolling calendar and conducts periodic reviews of the Group's businesses.

Directors are encouraged to participate in debate and to bring independent judgement to bear on matters being considered. The Board recognises that constructive differences of opinion lead to more robust evaluation of the issues and, ultimately, better outcomes.

The Board may seek advice from independent experts whenever it considers this to be appropriate.

Committees of the Board
The Board has established four permanent committees to assist in the execution of its responsibilities. These committees are the Risk Management & Audit Committee, the Health, Safety and Environment (HSE) Committee, the Nomination Committee and the Remuneration Committee. Ad hoc committees are formed from time to time to deal with specific matters.

Each of the permanent Committees has Terms of Reference (or Charters) under which authority is delegated from the Board. The Terms of Reference for each Committee can be viewed on the website at www.bhpbilliton.com.

The office of the Company Secretary provides secretariat services for each of the Committees.

Committee meeting agendas, papers and minutes are made available to all members of the Board.

The number of Committee meetings held during the year, and the attendance at those meetings by members is set out on page 61 of this Report.

With the exception of the HSE Committee, all Committee members are non-executive Directors and are considered by the Board to be independent. The Chief Executive, Mr Brian Gilbertson and the Vice President, Health, Safety and Environment, Mr Colin Bloomfield, both sit as members of the HSE Committee.

The role and membership of each Committee is set out below.

Risk Management & Audit Committee
Role
The role of the Risk Management & Audit Committee is to assist the Board in relation to the reporting of financial information, the appropriate application and amendment of accounting policies, the identification and management of risk, and internal control systems. The Committee has responsibility for:

1. recommending to the Board the appointment and dismissal of the external auditors and setting the appropriate fees
2. evaluating the performance of the external auditors, including their independence and objectivity
3. ensuring that it is clear that the external auditors are responsible to the Committee and the Board as representatives of the shareholders
4. reviewing and approving the audit plan including identified risk areas
5. ensuring compliance with the Group policy on non-audit services
6. overseeing the appointment and removal of the Vice President Risk Assessment and Assurance and the internal audit function
7. evaluating the performance of the Vice President Risk Assessment and Assurance, including his or her independence and objectivity.

Responsibilities relating to risk management and internal control are set out on page 45.

Composition
The Risk Management & Audit Committee is composed entirely of non-executive Directors, all of whom the Board considers to be independent.

Mr David Crawford chairs the Committee. Mr Crawford is the former National Chairman of KPMG in Australia. KPMG was the joint auditor (with PricewaterhouseCoopers) of Billiton Plc. KPMG, PricewaterhouseCoopers and Ernst & Young (previously Andersen) performed the audit of the Group for the 2002 financial year.

In June 2002, the Board resolved to appoint KPMG and PricewaterhouseCoopers as joint auditors of BHP Billiton for the 2003 financial year.

The Board considers Mr Crawford's chairmanship of the Risk Management & Audit Committee appropriate at this time and does not consider Mr Crawford's independence to be compromised for the following reasons:

- KPMG did not provide audit services for BHP at any time while Mr Crawford was both a Director of BHP and employed by KPMG
- Mr Crawford resigned as a partner and Australian National Chairman of KPMG on 28 June 2001, prior to the implementation of the merger
- Mr Crawford has had no financial arrangement with KPMG, including no pension arrangements, retainers, advisory fees or any direct or indirect business arrangements since his resignation
- Mr Crawford has never been part of the KPMG audit practice nor in any way involved in, or able to influence, any audit activity associated with Billiton, BHP or BHP Billiton.

Mr Crawford abstained from voting on the recommendation of the Risk Management & Audit Committee and from the approval by the Board in relation to the appointment of the auditors.

The other members of the Committee are, currently, Mr Cornelius Herkströter, Dr David Brink and Dr David Jenkins.

No member of management is a member of the Committee. The Chief Executive, the Chief Financial Officer and the Vice President Risk Assessment and Assurance attend meetings of the Committee at the invitation of the Chairman. The Committee meets with the auditors in the absence of members of management on a regular basis.

To assist in discharging its responsibilities, the Risk Management & Audit Committee receives reports from separate Risk Management & Audit Committees that have been established for each of the Customer Sector Groups and key functional areas. Committees have been established for the Carbon Steel Materials, Stainless Steel Materials, Aluminium, Petroleum, Energy Coal and Base Metals Customer Sector Groups and for the Finance, Development, Marketing and Treasury functions.

These Committees have no statutory responsibility in terms of reporting. This responsibility rests with the BHP Billiton Risk Management & Audit Committee.

Health, Safety and Environment (HSE) Committee

Role

The role of the HSE Committee is to assist the Board to fulfil its responsibilities in relation to health, safety, environment and community matters arising out of the activities of the Group as they affect employees, contractors and the communities in which it operates.

The HSE Committee has responsibility for:

1. recommending to the Board a health, safety, environment and community policy
2. monitoring the Group's compliance with the approved HSE Policy and applicable legislation
3. assessing the HSE standards of the Group
4. assessing the operations of the Group and making recommendations for assessing, avoiding, eliminating, controlling and minimising HSE risks
5. researching and recommending the adoption of acceptable HSE practices in the industries in which the Group operates
6. investigating HSE incidents within the Group and considering HSE issues that may have strategic business and reputational implications for the Group as well as recommending appropriate measures and responses.

Composition

Dr David Brink chairs the HSE Committee. Dr David Jenkins and the Chief Executive, Mr Brian Gilbertson, sit as members of the Committee, as does Mr Colin Bloomfield, Vice President, Health, Safety and Environment. The other members of the Committee are all external experts in the fields of health, safety, environment or community. They are Professor Albert Davies, Dr David Slater, Dr Colin Soutar, Professor Jim Joy, Mr Edwin Spence and Mr Ben Alberts (who was, until June 2002, an independent non-executive Director of BHP Billiton).

Nomination Committee

Role

The Nomination Committee supports and advises the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors, having regard to the law and the highest standards of governance, by:

1. assessing the skills required on the Board
2. from time to time assessing the extent to which the required skills are represented on the Board
3. establishing processes for the review of the performance of individual Directors and the Board as a whole
4. establishing processes for the identification of suitable candidates for appointment to the Board.

Composition

The Nomination Committee is composed entirely of independent non-executive Directors.

The Chairman, Mr Don Argus, chairs the Committee. The other members are Lord Renwick, Dr John Schubert and Dr David Brink. Under the terms of the 2001 merger of BHP Limited and Billiton Plc, the Australian Foreign Investment Review Board approved a structure of the Nomination Committee that requires equal representation from the former BHP Limited and the former Billiton Plc until 30 June 2004. The composition of the Committee meets that requirement.

Remuneration Committee

Role

The Remuneration Committee supports and advises the Board in fulfilling its responsibilities to shareholders by:

1. determining executive remuneration policy
2. determining the remuneration of executive Directors
3. reviewing and approving the remuneration of direct reports to the Chief Executive and other senior executives
4. reviewing and approving all equity based plans.

Composition

The Remuneration Committee is composed entirely of independent non-executive Directors.

Mr John Jackson, Deputy Chairman and Senior Independent Director chairs the Committee. Mr John Ralph, Lord Renwick and Dr John Schubert are the other members of the Committee.

The Committee seeks advice and guidance from the Chief Executive and the Group Vice President Human Resources, as it considers appropriate. From time to time, it seeks advice from independent experts. The report of the Committee relating to the remuneration practices of the Group is set out on pages 47 to 58 of this Report.

Directors' remuneration

Details of remuneration paid to the Directors (executive and non-executive) are set out in the Directors' Remuneration Report on pages 47 to 58 of this Report.

Share ownership and dealing

Non-executive Directors have agreed to apply at least 25 per cent of their remuneration to the purchase of BHP Billiton shares (in either BHP Billiton Limited or BHP Billiton Plc) until they achieve a shareholding equivalent in value to one year's remuneration and, thereafter, to maintain at least that level of shareholding throughout their tenure.

Details of the shares held by Directors are set out on page 61 of this Report.

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

Under the policy, Directors are required to obtain the consent of the Chairman before dealing in any shares of BHP Billiton. Directors and senior management are also prohibited from dealing in shares or other securities of BHP Billiton during designated prohibited periods and at any time at which the individual is in possession of inside information. The policy adopts the terms of the Model Code as set out in the Listing Rules published by the UK Financial Services Authority.

Any dealing in the shares of BHP Billiton by a Director is reported to the Board at each meeting. The Australian and London Stock Exchanges, and all secondary exchanges on which BHP Billiton is listed, are notified of any share dealing by a Director within five days.

The BHP Billiton Securities Dealing Policy can be viewed on the website at www.bhpbilliton.com.

Management Committees

Executive Committee

The Executive Committee has two principal functions – to make recommendations to the Board in respect of certain matters on which the Board must make decisions, and to exercise the authority delegated to it by the Board under the terms of the Approvals Framework.

The Chief Executive chairs the Committee. Minutes of meetings of the Committee are circulated to all Board members.

The members of the Committee are Mr Brian Gilbertson, Mr Phillip Aiken, Mr John Fast, Mr Ian Fraser, Mr Charles Goodyear, Mr Robert Kirkby, Mr Marius Kloppers, Mr Chris Lynch, Mr Brad Mills, Mr Mike Oppenheimer and Mr Mike Salamon.

Financial Risk Management Committee

The Chief Financial Officer chairs the Financial Risk Management Committee. Under powers delegated by the Executive Committee, this Committee monitors the financial risk management policies of the Group, approves financial transactions within the scope of its authority and makes recommendations to the Executive Committee. Minutes of meetings of the Financial Risk Management Committee are circulated to the members of the Board and the Executive Committee.

Investment Review Committee

An Investment Review Committee has been established to manage the approval processes for major investments. Those processes are designed to ensure that:

- investments are aligned to the Group's agreed strategies and values
- risks are identified and evaluated
- investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework
- appropriate risk management strategies are pursued.

The Investment Review Committee operates under powers delegated by the Executive Committee and makes recommendations to that Committee. Minutes of meetings of the Investment Review Committee are circulated to members of the Executive Committee.

The Committee is chaired by the Chief Financial Officer.

Accountability and audit

Financial reporting

The Dual Listed Companies structure under which BHP Billiton operates requires the Group to comply with the corporate regulations of Australia and the United Kingdom. As a registrant of the SEC in the United States, BHP Billiton Limited also complies with the regulatory regime of that country in so far as it applies to foreign companies.

Consistent with the regulatory requirements of all three jurisdictions, BHP Billiton prepares combined financial statements according to the Australian generally accepted accounting principles (GAAP), UK GAAP and US GAAP. The combined financial statements reflect the fact that the Group operates as a single economic entity.

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. This assessment is provided in the Chairman's Review, the Chief Executive's Report and the Review of Operations and in the various Customer Sector Group reports contained in this Report.

The role of the Risk Management & Audit Committee in the preparation and reporting of the financial information of the Group is set out on page 41 of this Report.

An explanation of the responsibilities of the Directors in respect of the preparation of the accounts is set out on page 68. The Directors set out on page 63 their view that the business is a going concern.

External audit

Following the merger of BHP Limited and Billiton Plc, the incumbent auditors – Ernst & Young (previously Andersen), KPMG and PricewaterhouseCoopers – continued to audit the Group. In June 2002, the Board approved the appointment of KPMG and PricewaterhouseCoopers as joint auditors for the 2003 financial year. The Risk Management & Audit Committee conducted a tender for audit services and made recommendations to the Board on the appointment of auditors. Those recommendations were adopted.

An independent probity auditor, who reported to the Committee and the Board, oversaw the tender process.

Shareholders will be asked to approve the appointment of the auditors at each annual general meeting.

The Board has delegated to the Risk Management & Audit Committee responsibility for making recommendations on the appointment, evaluation and dismissal of external auditors; setting fees and ensuring that the auditors report to the Committee and the Board as representatives of shareholders.

BHP Billiton is committed to audit independence. The Risk Management & Audit Committee reviews the independence and objectivity of the external auditors.

Those reviews include:

- seeking confirmation that the auditors are, in their professional judgement, independent of the Group
- obtaining from the external auditors an account of all relationships between the auditors and the Group
- monitoring the number of former employees of the external auditors currently employed in senior positions in the Group and assessing whether those appointments impair, or appear to impair, the auditors' judgement or independence
- considering whether, taken as a whole, the various relationships between the Group and the external auditors impairs, or appears to impair the auditors' judgement or independence
- considering whether the compensation of individuals employed by the external auditors who are performing the audit is tied to the provision of non-audit services and, if so, consider whether this impairs, or appears to impair, the external auditors' judgement or independence
- reviewing the economic importance of the Group to the external auditors and assessing whether that importance impairs, or appears to impair, the external auditors' judgement or independence.

The Group audit engagement partners will rotate every seven years. The Risk Management & Audit Committee and the Board will review this rotation period in the light of recent recommendations from the US for a shorter period of five years.

The Group has a policy governing the conduct of non-audit work by the auditors. Under that policy the auditors are prohibited from performing services where the auditors:

- may be required to audit their own work
- participate in activities that would normally be undertaken by management
- are remunerated through a 'success fee' structure
- act in an advocacy role for BHP Billiton.

A copy of the Policy can be viewed on the website at www.bhpbilliton.com.

The external auditors are permitted to provide non-audit services that are not perceived to be in conflict with auditor independence. An approval framework is in place which requires approval for all assignments in excess of US$25 000, with any assignments greater than US$100 000 subject to approval by the Risk Management & Audit Committee. All assignments are reported to the Committee.

Details of the amounts paid to the auditors during the year for audit and other services are set out in note 7 to the financial statements on page 98 of this Report.

Internal control

The Directors are responsible for the system of internal control and for regularly reviewing its effectiveness.

The principal aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Group's specific needs and the risks to which it is exposed.

Assessment of business risk
During the year, the Board approved the introduction of the Enterprise Wide Risk Management System at all operations and head office functional areas. This System forms the cornerstone of the risk management activities of the Group. Its aim is to provide the Risk Management & Audit Committee with the assurance that the major risks facing the Group have been identified and assessed and that there are controls planned for these risks. Validation of the risk controls is conducted by a process of control self assessment. Independent validation is undertaken by internal audit.

Strategic risks and opportunities arising from changes in the Group's business environment were regularly reviewed by the Executive Committee and discussed by the Board.

Monitoring process
Directors monitor risks through the the Risk Management & Audit Committee and Internal Audit.

Risk Management & Audit Committee
The composition, role and function of the Risk Management & Audit Committee are set out on pages 41 to 42 of this Report.

The Terms of Reference of the Risk Management & Audit Committee include responsibility for the review of internal control systems, including the procedure for identifying business risks and controlling their financial impact on the Group; the budgeting, forecasting and financial reporting systems and controls; the operational effectiveness of the policies and procedures related to risk and control; whether the Turnbull Guidance has been followed and approving policies for preventing and detecting fraud.

The Committee is assisted in its task by the work of Risk Management & Audit Committees established for each of the Customer Sector Groups and key functional areas.

Each half year, the senior executive and Chief Financial Officer of each Customer Sector Group and each of the Marketing, Finance, Treasury and Development functions are required to review internal controls and to provide formal representations to the Group Centre and their Risk Management & Audit Committee, assuring compliance with Group policies and procedures and confirming the adequacy of internal control systems. These representations are provided to the BHP Billiton Risk Management & Audit Committee.

Internal audit
BHP Billiton has an internal audit function. The Group Risk Management & Audit Committee reviews the mission, charter and resources of internal audit. Each Customer Sector Group and key function Risk Management & Audit Committee approves an annual internal audit plan for the Group for which it has responsibility. These plans are reviewed and approved by the Group Risk Management & Audit Committee.

The Committee also approves the appointment and dismissal of the head of internal audit and assesses his or her independence and objectivity.

The role of internal audit, as approved by the Group Risk Management & Audit Committee, is to:

- assess the design and operating effectiveness of controls governing key operational processes and business risks
- provide the Board with an assessment, independent of management, as to the adequacy of the Group's internal operating and financial controls, systems and practices
- assist the Board in meeting its corporate governance and regulatory responsibilities
- provide consulting services to management in order to enhance the control environment and improve business performance.

Internal audit has developed a risk-based methodology, which focuses on compliance reviews at the asset and function levels, risk audits at the Customer Sector Group level, and ad hoc management requests.

A comprehensive activity report is presented by internal audit to the Risk Management & Audit Committee at each scheduled meeting.

Review of effectiveness
During the year, the Directors conducted reviews of the effectiveness of the Group's system of internal control for the financial year and up to the date of this Report in accordance with the Turnbull Guidance. These reviews covered financial, operations and compliance controls and risk assessment.

In addition to its consideration of the key risks facing the Group throughout the year, the Board's review included considering a summary of the assessments of the effectiveness of internal controls over the key risks identified through the work of the Board Committees and Management Committees described above.

Corporate social responsibility
BHP Billiton is committed to sustainable development. Health, safety, environment and community responsibilities are integral to the way in which the Group conducts its business. A Health, Safety, Environment and Community Report is published each year. The Report identifies BHP Billiton's HSEC targets and measures its performance against those targets. On 4 September 2002, BHP Billiton was admitted into the Dow Jones Sustainability World Indexes (DJSI World) and Dow Jones STOXX Sustainability Index (DJSI STOXX) for 2002/3.

The Report is published at the same time as the Annual Report. A copy can be reviewed on the website at www.bhpbilliton.com or obtained by telephoning +44 20 7747 3977.

Business conduct and the Charter
The BHP Billiton Guide to Business Conduct reflects the Charter values of integrity, respect, trust and openness. The Guide provides clear directions and advice on conducting business internationally, interacting with governments, communities and business partners, and general workplace behaviour. It states BHP Billiton's position on a wide range of ethical and legal issues including conflicts of interest, financial inducements, bribery, insider trading and political contributions. Managers and

supervisors are held accountable not only for their own business but also that of their staff. The approach to business conduct reflects the Charter, which itself recognises that lasting success is built on each employee taking responsibility, achieving high performance, delivering on commitments and earning trust. The Guide applies to all employees, regardless of their job or location. Consultants, contractors and business partners are also expected to act in accordance with the Guide.

BHP Billiton has established regional Helplines as a means by which employees can seek guidance on how to make decisions about which they feel confident and comfortable. The Helplines also afford employees an opportunity to express issues of concern. Employees are encouraged to use the Helplines to report policy violations. Reports can be made anonymously. Further details can be found at www.bhpbilliton.com.

The Guide to Business Conduct has been revised since the merger and is available in six languages. Internal performance requirements regarding business conduct have been established under the Health, Safety, Environment and Community Management Standards. Conformance with the Guide has been incorporated in the Company's HSEC audit program.

Compliance

The Listing Rules of the London Stock Exchange require UK-listed companies to report on the extent to which they comply with the Principles of Good Governance and Code of Best Practice, which are contained in the Combined Code. The Code establishes principles dealing with Directors, Directors' Remuneration, Relations with Shareholders and Accountability and Audit, all of which are addressed in this Statement. Although the Code only applies to UK-listed companies, the Directors consider that it reflects best practice and report that, save for the matter reported below, BHP Billiton has complied with the provisions set out in Section 1 of the Code throughout the year.

Shareholders may recall that resolutions to receive the report and accounts as required in Section 1 of the Code, were not proposed at the 2001 Annual General Meetings because regulatory and administrative issues associated with the Dual Listed Companies merger made it difficult to distribute the report and accounts for both companies to all shareholders. Those difficulties have been largely overcome and shareholders will be invited to receive the report and accounts at the Annual General Meetings this year.

Copies of both sets of reports and accounts will be posted on the website at www.bhpbilliton.com. Copies can also be obtained by calling +44 20 7747 3977.

In addition to the Combined Code, BHP Billiton complies with the following governance guidelines:

- the Corporate Governance Guidance Note published by the Australian Stock Exchange
- the statements by participants of the Corporate Governance Council established by the Australian Stock Exchange dated 15 August 2002
- the requirements of the SEC in the US.

BHP Billiton has policies and procedures that comply with the recommendations of the Ramsay Report into Independence of Australian Company Auditors.

The Group substantially complies with the proposed changes to the Listing Standards of the New York Stock Exchange on Corporate Governance. These changes are currently awaiting approval from the SEC and include, for example, new requirements on the role of the audit committee and the 'independence' of members of that committee.

The US Congress recently passed the Sarbanes-Oxley Act of 2002, which became law on 30 July 2002. This Act introduces a broad range of accounting and corporate governance reforms, most of which apply to non-US issuers listed in the US or registrants with the SEC such as BHP Billiton. Several of these requirements become effective at stages over the next two years and some require clarification through rule-making by the SEC. However, of the provisions that are immediately effective, the two most important from the perspective of BHP Billiton are: (i) complying with the prohibition on loans to Directors and executive officers and (ii) providing a certification from the Chief Executive and the Chief Financial Officer of the information included in BHP Billiton's annual report to be filed with the SEC. BHP Billiton will comply with these requirements.

The Act includes additional requirements regarding eligibility of audit committee members and duties of the audit committee, auditing independence, internal control procedures, whistleblower protections and enhanced disclosures of off-balance sheet arrangements, pro-forma financial information and codes of ethics. BHP Billiton substantially complies with these requirements.

Remuneration Report

Dear Shareholder

As Chairman of the Remuneration Committee, it is my pleasure to submit the Remuneration report for BHP Billiton for 2002. The Committee operates under delegated authority from the Group Boards to support and advise on executive remuneration policy, set the remuneration of each executive Director and those who report directly to the Chief Executive within the context of that policy, and review and approve equity based share plans.

During the year the Committee has reviewed a range of remuneration policy issues and has overseen the preparation of the proposed new incentive arrangements that will be considered by shareholders at the Annual General Meetings on 4 November 2002.

The Committee is committed to the principles of accountability, transparency and linking pay with performance.

John Jackson
Chairman, Remuneration Committee
Deputy Chairman & Senior Independent Director
9 September 2002

Remuneration Committee

All of the members of the Committee are non-executive Directors. The members at the date of this report are Mr John Jackson (chairman), Mr John Ralph, Lord Renwick of Clifton and Dr John Schubert. Mr John Conde and Mr Derek Keys retired from the Committee on 30 June 2002 and were replaced by Lord Renwick and John Schubert. The Company Secretary acts as secretary to the Committee.

The Committee met six times during the year. The number of meetings attended by members of the Committee is set out on page 61. Throughout the year, Mr Paul Anderson, then Managing Director and Chief Executive Officer, and Mr Brian Gilbertson, then Deputy Chief Executive Officer, attended meetings of the Committee at the invitation of the Chairman and provided advice when called upon to do so. The Group Vice President Human Resources provided advice and assistance to the Committee as required. None of these employees were present when matters associated with their own remuneration were being considered. Throughout the year, the Committee made use of advice from external professional consultants to provide various consulting services. These were Hay Group, PricewaterhouseCoopers, KPMG, Andersen, Towers Perrin and Hewitt Bacon & Woodrow.

The Committee complies with the Principles of Good Governance and Code of Best Practice set out in the Listing Rules of the Financial Services Authority in the UK and the Listing Rules of the Australian Stock Exchange.

The numerical disclosures in this Remuneration Report have been audited.

Group remuneration policy

The Boards and the Remuneration Committee recognise that the BHP Billiton Group operates in a global environment. To prosper, the Group must be able to attract, motivate and retain internationally mobile executives.

The key principles that underpin Group remuneration policy are:

- that rewards reflect the competitive global market in which the Group operates
- that demanding key performance indicators apply to delivering results across the single economic entity and to a significant portion of the total reward
- that rewards to executives be linked to the creation of value to shareholders
- that executives be rewarded for both financial and non-financial performance
- that remuneration arrangements ensure equity between executives and facilitate the deployment of human resources around the Group.

The BHP Billiton Group reward structure combines base salary, short-term and long-term incentive plans and post-retirement benefit arrangements. The cost and value of components of the remuneration package are considered as a whole and are designed to ensure an appropriate balance between fixed and variable performance-related components, linked to short-term and long-term objectives and to reflect market competitiveness. Details of the policy applied in each component are outlined below.

1 Base salary
Base salaries are quantified by reference to the scope and nature of an individual's role, performance and experience. The Committee actively seeks market data to benchmark salary levels. Particular consideration is given to competitive global remuneration levels. The Committee has approved a global alignment approach for senior executives, which is designed to develop globally competitive remuneration in the many jurisdictions in which the Group operates. This ensures the base salary policy takes account of the globally competitive market in which BHP Billiton operates for these employees, while providing for equitable rewards between the various countries in which the Group operates.

2 Incentive plans
Following the merger of BHP Limited and Billiton Plc in June 2001, the Remuneration Committee approved an alignment of the existing incentive plans then in place. In so doing, the Committee announced that it would oversee the development of a single plan that it expected to put to shareholders for approval at the Annual General Meetings in 2002. Details of the proposed Group Incentive Scheme are outlined on the following page.

Long-term incentive awards were made under the plans currently in place within the BHP Billiton Limited and BHP Billiton Plc Groups in the financial year 2002. The plans were aligned for these awards to provide similar benefits to employees regardless of whether they were working in the BHP Billiton Limited or BHP Billiton Plc Group. Details of the awards made and specific plans under which they are made are set out later in this Report. Maximum awards of 100 per cent of salary are made under the plans each year. Executive employees also have the opportunity to invest up to US$100 000 in the arrangements. A detailed outline of each plan is included in note 23 of the BHP Billiton Plc Annual Report 2002 Financial Statements and note 31 of the BHP Billiton Limited Annual Report 2002 Combined Financial Statements.

Proposed Group Incentive Scheme

The proposed Group Incentive Scheme (GIS) is an integral part of BHP Billiton's overall approach to competitive performance-based remuneration. The plan aims to reward senior executives for meeting or exceeding their personal, Customer Sector Group (CSG) and Group goals that are aligned to BHP Billiton's strategic direction.

Replica schemes will operate for both BHP Billiton Limited and BHP Billiton Plc executives and, if implemented, will replace all other plans currently in operation for these employees.

The GIS has two components – a short-term incentive and a long-term incentive (LTI).

The amount to be awarded to an executive under the scheme in any one year will be determined by reference to performance against a set of pre-determined objectives (for executive Directors the largest proportion of the goals relate to Group financial measures). Once this amount is determined, it will be allocated between the short-term and long-term incentive components of the scheme. The short-term incentive will be paid in cash (which will replace the current short-term incentive cash award). The long-term incentive will be applied towards issuing deferred shares. Alternatively, the Remuneration Committee may at its discretion provide executives with the choice of receiving options instead of all, or some, of the deferred shares. In addition, the executive will be eligible to receive performance shares equal to the value of deferred shares or options received.

Eligibility

Executives nominated by the Executive Committee and approved by the Remuneration Committee will be eligible to participate in the GIS. Participation in the GIS is in the absolute discretion of the Remuneration Committee and will generally not apply to an executive who is not expected to be employed by the relevant group company at the date of the vesting of any deferred shares granted in respect of that year, or at the commencement of the exercise period for any options granted in respect of that year.

Bonus amount

The bonus amount awarded to an executive under the GIS in any year will be determined by reference to specific targets (personal, Customer Sector Group and Group) set for the previous financial year (Performance Year). The target bonus amount will be set at the beginning of the Performance Year for each executive. The assessment of actual performance against target will be by reference to three categories for each measure (threshold, target and stretch). Depending on results achieved for specific goals, a percentage of the target bonus will be awarded to the executive, between 50 per cent (for threshold performance) and 150 per cent (for maximum stretch performance). Where performance falls below threshold levels, no bonus will be paid.

The bonus will be allocated between short-term incentive and long-term incentive awards.

The amount of short-term incentive will be paid in cash following the release of the financial results for the relevant Performance Year.

Subject to limitations that may be imposed by the Remuneration Committee, participants will be able to choose what proportion of options, if any, they wish to receive in lieu of deferred shares. The available choices between options and deferred shares will be determined by the Remuneration Committee on a year-to-year basis, acting reasonably and in the best interests of the Group.

Deferred shares

If an executive elects to receive deferred shares, that executive will be granted a right to receive these shares approximately three years after the start of the Performance Year in respect of which the grant is made. At the end of those three years, the shares will be issued without any further performance hurdles having to be met.

The number of deferred shares to be allocated to an executive will depend on the amount of the bonus earned by the executive as a long-term incentive in that year and the BHP Billiton share price at the time of calculating the allocation. The BHP Billiton share price will be calculated as the weighted average of the prices at which BHP Billiton shares are traded on the Australian Stock Exchange or London Stock Exchange (as appropriate) on the five business days prior to the grant of the deferred shares.

Option alternative

As an alternative to choosing deferred shares, an executive may at the discretion of the Remuneration Committee be given the choice of electing to receive share options. Options will be granted at the same time as the deferred shares are granted and will vest at the same time as deferred shares. The options will have an exercise period of three years from their vesting date. The executive will forfeit the right to these options if they have voluntarily left the employment of the BHP Billiton Group prior to the vesting date.

The exercise price for the options will be determined prior to the grant of options and will be calculated as the weighted average of the prices at which BHP Billiton shares are traded on the Australian or London Stock Exchange on the five business days prior to the grant.

The number of options that may be granted will be based on the value of the long-term incentive bonus earned for the Performance Year, and the value of the options as determined by a Black-Scholes valuation (or other appropriate methodology) of the option at that time and confirmed by an independent actuary approved by the Remuneration Committee.

Performance shares
In addition to whichever alternative is chosen above, executives will receive performance shares at the time the deferred shares or options are granted. The vesting of performance shares is entirely dependent on the Group meeting performance hurdles based on total shareholder return (TSR) compared against a group of peer companies and earnings per share (EPS) growth targets, measured over a three-year period commencing at the end of the Performance Year.

The number of performance shares issued is also entirely dependent on the executive's performance in the Performance Year. The number of shares awarded will be equivalent in value to the deferred shares (or options) for that particular grant, divided by the weighted average of the prices at which BHP Billiton shares are traded on the Australian Stock Exchange or London Stock Exchange (as appropriate) on the five business days prior to the issues of the rights.

Minimum shareholding
All executives participating in the GIS must satisfy a minimum shareholding requirement, which will vary depending on their seniority, and which will initially be set at a value that is equivalent in value to between 50 per cent and 100 per cent of their net annual salary (calculated by reference to the top marginal tax rate in each relevant jurisdiction). The shareholding requirement calculation will include any vested deferred shares, additional performance shares and any shares arising from exercised options.

Transition year
Transition year arrangements are required to bridge the period between the first full Performance Year of the BHP Billiton Group GISs and the termination of the Group's existing executive compensation plans. Without the transition arrangements, no long-term incentive awards would be payable in 2002. That would be contrary to the Group's policy of providing annual competitive, performance-based incentives to its senior management and to its objective of retaining those employees. As a result, the Group proposes to grant performance shares to those executives for the transition year, subject to achievement of the specified performance conditions.

Under this proposal, executives would receive performance shares under the GIS in this year. As mentioned above, performance shares are subject to demanding performance hurdles (benchmarked TSR determining the final vesting amount and an EPS underpin that has to be met if any performance shares are to vest). The proposed value of the performance shares to be issued in the transition year are no greater than the total value of annual long-term incentive awards made under current plans.

Adjustments to pre-merger incentive plans
Last year, as part of the merger, the Australian Stock Exchange (ASX) granted BHP Billiton Limited a limited waiver from the Listing Rules, to the extent necessary to amend a part of the terms of options issued under the BHP Employee Share Plan and Performance Share Plan. This allowed the vesting period to be brought forward so that options were exercisable immediately on termination, for employees who were made redundant or terminated. The waiver applied only to employees terminated within 12 months following the effective date of the merger, in respect of the options issued before that date.

The ASX has granted an extension to the existing waiver in relation to the demerger and public listing of BHP Steel Limited. The extension of the waiver enabled the terms of options issued under the BHP Limited Employee Share Plan and Performance Share Plan to be amended to bring forward the vesting period so that options were exercisable immediately on termination for employees who were made redundant or terminated. The waiver applied only to employees who were made redundant or terminated through no fault of their own following the demerger and public listing of BHP Steel Limited, prior to 31 July 2002.

3 Post-retirement benefits
BHP Billiton Plc has established non-contributory defined benefit pension arrangements under which the executive Directors will be entitled to a pension at normal retirement date at age 60, equal to two-thirds of their base salary provided they have completed 20 years service with the Group. Specific terms relating to Mr Gilbertson's participation are detailed in section 2 below.

BHP Billiton Limited has established the BHP Billiton Superannuation Fund for Australian participants. This provides for defined benefit and defined contribution participation. The defined benefit plan is no longer available to new members.

Under the defined benefit plan, members are entitled to a lump sum benefit from the Fund at the age of 55, which is equal to 20 per cent of the Final Average Salary for each year of membership up to 36 years. If a member retires after the age of 60, it is possible to opt for a pension benefit instead of a lump sum benefit. The pension would be equal to 1/54th of Final Average Salary for each year of membership. In the event of death in service, a lump sum benefit equal to 20 per cent of salary for each year of membership (based on prospective service to age 65) will be paid. If a member leaves the Fund, for reasons other than death and disablement before age 55, the lump sum entitlement will be reduced at a rate of two per cent per annum for each year before age 55. Salary excludes overtime and other allowances. Final Average Salary is a three-year average of salary calculated immediately before the member leaves the Fund.

Under the defined contribution plan, the Company currently contributes 9 per cent of salary into the superannuation fund for employees (until 30 June 2002 this was 8 per cent and was subsequently increased in line with Australian superannuation legislation). In addition, the Company will contribute additional matching amounts where the employee makes a personal contribution. The total contributions made are as follows:

Employee Contribution Rate	Total Company Contribution Rate
3%	10%
4%	12%
5%	14%

Executive Directors' and senior executives' remuneration

On 30 June 2002, there were three executive Directors on the Boards of BHP Billiton Limited and BHP Billiton Plc:

Mr P M Anderson: Chief Executive Officer and Managing Director
: Appointed to the Board in December 1998

Mr B P Gilbertson: Deputy Chief Executive Officer
: Appointed to the Board in July 1997

Mr C W Goodyear: Chief Development Officer
: Appointed to the Board in November 2001

Mr R J McNeilly was an executive Director of BHP Billiton Limited and BHP Billiton Plc until 16 October 2001.

1 Remuneration

The following tables set out an analysis of the remuneration, including bonuses and termination payments and the estimated value of retirement benefits and awards made under any Long-Term Incentive Plan or other share-based compensation, of the individual executive Directors and the five highest earning executive officers during the year ended 30 June 2002. Comparative information for 2001 is shown for executive Directors. Details of payments to former executive Directors are also provided.

EXECUTIVE DIRECTORS

US Dollars	Base Salary	Annual Cash Bonus	Deferred Cash Bonus	Other Benefits	Termination Payments	**Total 2002**	Total 2001
P M Anderson(a)	837 916	1 181 461		595 642		**2 615 019**	1 879 953
B P Gilbertson	1 157 742	1 574 530	763 404	249 439		**3 745 115**	2 229 831
R J McNeilly	285 308				1 740 852	**2 026 160**	1 068 179
C W Goodyear(b)	732 829	968 162		602 239		**2 303 230**	1 412 072

US Dollars	Total 2002 b/f	Retirement Benefits	Share-based Compensation – short-term	Share-based Compensation – long-term	**Total 2002**
P M Anderson	2 615 019		2 328 560		**4 943 579**
B P Gilbertson	3 745 115	679 809		635 642	**5 060 566**
R J McNeilly	2 026 160				**2 026 160**
C W Goodyear	2 303 230			240 190	**2 543 419**

(a) Mr Anderson was paid an additional sum of US$5 140 601 after the end of the financial year in connection with the cessation of his employment.
(b) Total remuneration paid to Mr Goodyear while a Director of the Company was US$1 285 402. This was made up of Base salary US$408 618, Annual Cash Bonus US$562 330, Other Benefits US$314 454.

FORMER EXECUTIVE DIRECTORS

US Dollars	Base Salary	Annual Cash Bonus	Deferred Cash Bonus	Other Benefits	Termination Payments	**Total 2002**	Total 2001
M Davis	171 606			203 046		**374 652**	1 652 129
D Munro	717 314	417 835		102 111		**1 237 260**	1 368 319
M Salamon	868 307	1 311 143		254 007		**2 433 457**	1 497 591

US Dollars	Total 2002 b/f	Retirement Benefits	Share-based Compensation – short-term	Share-based Compensation – long-term	**Total 2002**
M Davis	374 652	73 945			**448 597**
D Munro	1 237 260			276 041	**1 513 301**
M Salamon	2 433 457	493 913		502 107	**3 429 477**

FIVE HIGHEST PAID OFFICERS (OTHER THAN DIRECTORS)

US Dollars	Base Salary	Annual Cash Bonus	Deferred Cash Bonus	Other Benefits	Termination Payments	**Total 2002**
M Salamon	868 307	1 311 143		254 007		**2 433 457**
P S Aiken	601 012	746 007		348 448		**1 695 467**
B A Mills	520 625	682 500		294 782		**1 497 907**
M L Kloppers	415 420	654 287		467 279		**1 536 986**
I C Fraser	455 861	706 585		264 673		**1 427 119**

US Dollars	Total 2002 b/f	Retirement Benefits	Share-based Compensation – short-term	Share-based Compensation – long-term	**Total 2002**	Number of share awards granted
M Salamon	2 433 457	493 913		502 107	**3 429 477**	262 061
P S Aiken	1 695 467	109 647		300 422	**2 105 536**	137 588
B A Mills	1 497 907	107 127		290 492	**1 895 526**	134 537
M L Kloppers	1 536 986			326 965	**1 863 951**	154 961
I C Fraser	1 427 119			129 353	**1 556 472**	79 100

Annual cash bonus
In addition to a base salary, executive Directors are entitled to participate in an annual incentive plan. Under the plan for the year ended 30 June 2002, Mr Anderson and Mr Gilbertson had a target bonus of 100 per cent and Mr Goodyear had 75 per cent of base salary tied to the achievement of pre-determined performance objectives. The actual bonus for the year for each executive Director is detailed in the table of executive Directors' emoluments.

Deferred cash bonus
Mr Gilbertson is entitled to a total deferred cash bonus of US$3 053 615 under his employment contracts with BHP Billiton Plc and BHP Billiton Services Jersey Limited, to be paid over a four-year period from the completion of the merger in quarterly instalments (subject to continued employment).

Other benefits
This includes allowances and the value of non-cash benefits where appropriate, such as health insurance, housing, life assurance, car allowance, tax advisory benefit and relocation allowances. The amounts are inclusive of GST or VAT. Executive Directors could be provided with living accommodation instead of all, or part of, the relocation allowance at the discretion of the Remuneration Committee. This amount includes fringe benefits tax where applicable.

In addition to relocation expenses, a relocation allowance of US$150 000 was paid to Mr Goodyear following his relocation from Australia to the UK on 21 December 2001. Mr Goodyear will receive two further annual payments of US$150 000, payable on the first and second anniversary of his move.

Under the terms of his employment arrangements with BHP Billiton Services Jersey Limited, Mr Brian Gilbertson occupied a flat in London (owned by a BHP Billiton Group company) rent-free until 6 November 2001. On 7 April 2001 he was granted an option to purchase the property at open market value. That option expired on 6 October 2001 and was not renewed.

From 7 November 2001, Mr Gilbertson paid a market rent for the property together with applicable services charges. The applicable rental was set on the basis of advice from independent property valuers. The total paid in rent and charges for the period from 7 November 2001 to 27 June 2002 was US$106 007.

On 27 June 2002, Mr Gilbertson purchased the property for US$3 496 382. This represented the market value as advised by independent property valuers. Some contents at the property belonging to the vendor were also transferred to Mr Gilbertson. The price paid for those contents was US$124 074 and was determined after reference to an independent valuation.

The rental paid by Mr Gilbertson, and the prices paid by him to acquire the property and the contents, reflect market rates and values respectively.

From 21 September 2001, a property in Melbourne was made available to Mr Gilbertson rent-free.

Mr Anderson was provided with a benefit following the Remuneration Committee's review of his remuneration and Mr Gilbertson's remuneration to ensure parity as stated in last year's Annual Report. Mr Gilbertson and Mr Goodyear are entitled to certain benefits including medical insurance, permanent health insurance, car allowance and the use of certain BHP Billiton Group facilities and benefits. Mr Goodyear also receives a tax impact allowance, which is 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 the UK.

Termination payments

Mr Anderson's employment contract as Managing Director and CEO was terminated as part of the Group merger arrangements on 1 July 2002, although he has agreed to continue as a non-executive Director without compensation until the close of the Annual General Meetings of BHP Billiton on 4 November 2002.

Under his employment contract, Mr Anderson would have been entitled to receive upon termination an amount of US$1 675 831, which is equal to twice his annual base salary. An equivalent amount will be paid as follows:

- a consultancy arrangement with a total value of US$104 739 under which Mr Anderson agrees to act as a consultant to the Group for two years commencing at the time he ceases to be a Director; and
- further payments totalling US$1 571 092.

In addition, Mr Anderson's employment 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 the share price of US$5.39 per share). Although his contract entitled him to exercise the 400 000 rights without reference to service or performance hurdles, Mr Anderson voluntarily requested that 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 are now exercisable.

In total, the value of Mr Anderson's termination benefits was US$5 140 601.

Mr McNeilly's employment contract was terminated on 31 December 2001. Mr McNeilly received a termination payment in accordance with the Company redundancy policy, that applies to all employees, which is based on years of service with the Group.

The lump sum payment of US$1 740 852 included amounts in respect of redundancy (based on years of service), long service leave and annual leave.

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.

Details of defined contribution payments made, and defined benefit pensions entitlements earned by executive Directors are set out in section 2 below.

Short-term share-based compensation

Mr Anderson held Performance Rights entitling him to acquire BHP Billiton Limited shares at no cost. Those rights were issued pursuant to the equity component of his contract of employment and were approved by shareholders at a meeting on 26 February 1999. During the year he became entitled to exercise 200 000 Performance Rights.

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 values have been calculated using a modified Black-Scholes option pricing methodology. Details of outstanding awards and awards vesting in the year, for executive Directors, are set out in the tables below.

Share awards granted

The share awards granted show the number of Performance Rights for participants in the Performance Share Plan, Restricted Shares for participants in the Restricted Share Scheme, Share Awards under the Bonus Equity Share Plan and Committed and Matching Awards granted for participants in the Co-Investment Plan and Medium Term Incentive Scheme.

Each of these awards constitutes a right to a share issued by a trustee of a special purpose trust, and requires the trustee to acquire a BHP Billiton share on behalf of the executive, upon fulfilment of prescribed performance hurdles. Full details of each of these share plan arrangements are included in note 23 of the BHP Billiton Plc Annual Report 2002 Financial Statements and note 31 of the BHP Billiton Limited Annual Report 2002 Combined Financial Statements.

2 Retirement benefits of executive Directors

The following table sets out the pension benefit entitlements of the individual executive Directors who held office during the year ended 30 June 2002. The basis upon which the table has been prepared is to set out the amount of increase in the accrued annual pension payable at normal retirement age (65), before commutation, to which the executive Director has become entitled during the current year.

ANNUAL PENSION ENTITLEMENTS UPON REACHING RETIREMENT AGE

Name	Age at 30 June 2002	Accrued annual pension entitlement at 30 June 2002 US$	Additional accrued pension entitlement net of inflation US$	Accrued annual pension entitlement at 30 June 2001 US$	Additional accrued pension entitlement net of inflation US$	Accrued annual pension entitlement at 30 June 2000 US$
B P Gilbertson	58	861 386	50 363	731 000	128 412	641 100

Mr Gilbertson
BHP Billiton Plc and BHP Billiton Services Jersey Limited have established non-contributory defined benefit pension arrangements under which Mr Gilbertson will be entitled to a pension on retirement, equal to two-thirds of Pensionable Salary for service completed with the Group to 29 June 2001 plus an additional pension of 1/30th of Pensionable Salary for each year of service completed after 29 June 2001 (with complete days counted proportionately). The total pension will not exceed 100 per cent of Pensionable Salary. Only base salary is pensionable.

If Mr Gilbertson 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 the event of death in service, a lump sum death in service 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 Gilbertson while in retirement, a surviving spouse's pension of two-thirds of the pension in payment, before the effect of commutation, will be paid.

All pensions in payment will be indexed in line with the retail price index.

Mr Anderson
Mr Anderson did not participate in a BHP Billiton Limited pension scheme.

Mr McNeilly
Mr McNeilly was a non-contributory member of the BHP Billiton defined benefit Superannuation Fund mentioned above.

Members are entitled to a lump sum benefit from the Fund at the age of 55 which is equal to 20 per cent of the Final Average Salary for each year of membership up to 36 years. Mr McNeilly achieved service in excess of 36 years.

Mr Goodyear
Mr Goodyear does not participate in a retirement benefit plan and receives a payment of 20 per cent of annual base salary in lieu.

3 Service Contracts
Mr Anderson
Mr Anderson was employed by BHP Billiton Limited under a fixed-term service contract that commenced on 1 December 1998. The contract provided that the term continued until 31 October 2003 unless the contract was terminated by Mr Anderson by giving not less than 60 days' written notice. The contract was also terminable by BHP Billiton Limited for cause, or reason of death, disablement or protracted illness.

Mr Anderson's employment contract as Managing Director and CEO was terminated as part of the Group merger arrangements on 1 July 2002, although he has agreed to continue as a non-executive Director without compensation until the close of the Annual General Meeting of BHP Billiton Plc on 4 November 2002.

Mr Anderson's contract provided for the following termination entitlements:

- a payment equal to twice his annual salary as at the date of termination
- reimbursement of reasonable relocation costs for himself and his immediate family from Australia to the US
- the right to exercise the balance of his Performance Rights, granted to him under the Performance Share Plan, remaining to be exercised under the contract, irrespective of whether he has satisfied the relevant performance hurdles
- a period of two years following the date of termination in which he is entitled to exercise all the options granted to him under the Employee Share Plan, irrespective of whether he has satisfied the relevant performance hurdles.

These contractual arrangements were made at the commencement of Mr Anderson's employment as competitive practice at that time demanded. The amount of payments and benefits awarded to Mr Anderson on termination are set out on page 52.

Mr Gilbertson
Mr. Gilbertson has contracts of employment with:

- BHP Billiton Plc dated 29 July 2001
- BHP Billiton Services Jersey Limited, a wholly-owned subsidiary of BHP Billiton Plc dated 29 July 2001
- BHP Billiton Limited dated 29 June 2001
- BHP Billiton International Services Ltd, a wholly-owned subsidiary of BHP Billiton Plc, dated 12 July 2001. (Mr. Gilbertson is currently seconded under this agreement to BHP Billiton Executive Services Company Pty Ltd (Secondee Company)).

Each service contract can be terminated by each company giving 24 months' notice, provided that such notice is not given prior to 29 June 2003. The contracts can be terminated by Mr Gilbertson giving 12 months' notice, provided that such notice does not expire prior to 29 June 2003. These contractual arrangements were made (and disclosed) at the commencement of the merger, in order to ensure consistency, stability and time for succession planning in the light of the changes occurring at chief executive level as a result of the merger.

In the event that Mr Gilbertson's employments are terminated because of sickness, injury or other incapacity, he will be entitled to receive the remaining instalments of his deferred bonus that would otherwise have become payable at the end of the quarter in which the terminations occur. If the employment is terminated for a reason other than sickness or gross neglect of his duties, Mr Gilbertson will be entitled to receive payments equivalent to the lesser of the balances of the deferred bonuses that would otherwise have become payable, in quarterly instalments or the total sum of US$2 442 891.

Mr Goodyear
Mr Goodyear has contracts of employment with:

- BHP Billiton Limited dated 23 March 1999; and
- a secondment contract from BHP Billiton Limited to BHP Billiton Plc and BHP Billiton International Services Limited dated 21 December 2001.

The service contracts can be terminated by either the Company or Mr Goodyear providing one months' notice. In addition to the above, should his service be terminated at the request of the Company for any reason other than cause within the first five years of his employment then the Company will continue to pay his base salary until such time (to a maximum of 12 months) as he obtains alternative employment.

In addition to the above, should there be a diminution of his responsibilities or a decrease in his base salary inconsistent with other senior officers of the Company, then within six months of such action by the Company he may elect to resign from the Company and the Company will continue to pay his base salary as it existed before such action by the Company until such time (to a maximum of 12 months) as he obtains alternative employment.

In the event that Mr Goodyear's contract ends for any reason, he is entitled to reimbursement of reasonable relocation costs for himself and his immediate family from his location to the US. The Company will also reimburse the costs associated with the sale of his overseas residence in the event these costs are not borne by a successor employer.

Mr McNeilly
Mr McNeilly served as an executive Director on the Board. There was no written service contract for Mr McNeilly. Mr McNeilly's employment terminated on 31 December 2001 when he was made redundant as a result of the BHP Billiton Limited and BHP Billiton Plc merger.

Mr McNeilly stepped down from the position of executive Director of BHP Billiton Limited on 16 October 2001. His position as Executive Director Global Markets was made redundant effective 31 December 2001 as a result of the merger for which he was eligible to receive a redundancy payment. This was calculated in accordance with BHP Billiton Limited's redundancy policy at that time.

4 Executive Directors' interests in long-term incentive plans and other share schemes
The following tables set out details of executive Directors' interests in share plans including the number of shares awarded in the financial year ended 30 June 2002.

Adjustments were made to share awards held by all employees (including executive Directors) as a result of the public listing of BHP Steel Limited. These adjustments were made solely to compensate for the capital reduction in BHP Billiton Limited that resulted from the demerger of BHP Steel Limited, and the matching action of a bonus issue made by BHP Billiton Plc at the same time. These adjustments were made in July 2002 at the time of the BHP Steel Limited public listing and as such are not factored into the awards shown below as they occurred after the end of the financial year.

BHP Billiton Plc
Restricted Share Scheme
Following completion of the merger, the potential awards vested in full on 20 August 2001. The value of awards vesting has been calculated using the share price on the date of vesting, which was £3.1675 although the shares may have been retained. The share price at the end of the year was £3.36 and the highest and lowest prices during the year were £3.92 and £2.42 respectively.

Potential awards were made on 8 November 2001 when the share price was £2.89.

The performance hurdles attached to the Restricted Shares issued in November 2001 relate to a global comparator group of companies. The BHP Billiton Plc Group's performance in terms of TSR is measured against this group of companies and the UK Retail Price Index to determine if the performance hurdles have been achieved. Regarding the Restricted Shares that were issued as long-term incentives, if the hurdles are not achieved by 30 September 2004 then 75 per cent of the Restricted Shares 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 Restricted Shares lapse. These Restricted Shares only vest to the extent rights under the BHP Billiton Limited Performance Share Plan are exercisable based on those performance hurdles.

The BHP Billiton Share Ownership Trust held 659 882 Ordinary Shares at 30 June 2002 (2001: 14 225 249). The executive Directors are deemed to be interested in these shares as beneficiaries of the trust.

At the date of this Report the number of shares subject to potential awards were 292 576.

BHP Billiton Plc

RESTRICTED SHARE SCHEME

Name	Potential Awards				Value of vested shares US$
	1 July 2001	Made in year	Vested	**30 June 2002**	
B P Gilbertson	1 092 618	274 914	1 092 618	**274 914**	5 004 190

CO-INVESTMENT PLAN

Name	Matching Awards				Committed shares		Value of vested shares US$
	1 July 2001	Made in year	Vested	**30 June 2002**	1 July 2001	**30 June 2002**	
B P Gilbertson	348 311	71 431	348 311	**71 431**	92 361	**23 420**	1 595 264

Co-Investment Plan

Following completion of the merger, the matching awards vested in full on 20 August 2001. The value of awards vesting has been calculated using the share price on the date of vesting, although the shares may have been retained. The share price at the date of vesting was £3.1675. The share price at the end of the year was £3.36 and the highest and lowest prices during the year were £3.92 and £2.42 respectively.

In the case of matching awards made under the CIP by Directors, vesting was subject to an agreement by the executive to retain approximately three-quarters of the shares acquired on exercise for a period of 12 months, or in the case of Mr Gilbertson for three years, following the DLC merger (subject to deductions to cover income and social taxes).

On 8 November 2001, executive Directors were invited to participate in the Co-Investment Plan.

The vesting of matching awards is determined by reference to two performance periods. The first performance period is two years in length and the second performance period is four years in length. Both performance periods commence on the date the awards were granted 8 November 2001. The proportion of shares subject to the award that vest at the end of the relevant performance period will be determined by BHP Billiton Plc's performance measured in terms of:

- total shareholder return relative to the total shareholder return of a global comparator group of companies; and
- earnings per share growth in excess of an inflationary underpin based on the UK Retail Price Index.

If both performance hurdles are achieved at the end of the first performance period, the corresponding number of matching awards 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. If the participant opts to leave the Plan at this stage, committed shares will be released together with any shares under the matching award that may have vested. All remaining shares under the matching award will then lapse.

If a participant chooses to remain in the Plan, the second performance period will be relevant and there will be an opportunity for more shares to be awarded under the matching award, subject to performance conditions being met at the end of the four-year period. Shares only vest to the extent rights vest under BHP Billiton Limited's Medium Term Incentive Plan.

At the date of this Report, the number of shares subject to potential awards were 76 021 and the number of committed shares were 24 925.

BHP Billiton Limited

Performance Share Plan

The performance hurdles attached to offers of Performance Rights issued in November 2001 relate to a global comparator group of companies. The BHP Billiton Limited Group'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. Regarding the Performance Rights which were issued as long-term incentives, 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. These rights only become exercisable to the extent rights under the BHP Billiton Plc Restricted Share Scheme are exercisable, based on those performance hurdles. The share price at the end of the year was A$10.30 and the highest and lowest prices during the year were A$12.49 and A$7.87 respectively.

Mr Anderson was issued with 1 000 000 Performance Rights after approval by shareholders in the General Meeting on 26 February 1999. The Performance Rights were subject to performance and service conditions. Upon completion of these conditions, each Performance Right constituted the right to acquire 2.1411 ordinary BHP Billiton Limited Shares. The Performance Rights had a zero exercise price. Mr Anderson accrued the entitlement to exercise 100 000 Performance Rights per annum subject to satisfying a service condition and up to 100 000 Performance Rights per annum subject to satisfying performance targets set by the Board on an annual basis.

BHP Billiton Limited

PERFORMANCE SHARE PLAN

Name	Shares yet to vest under Performance Rights					Weighted average share price at exercise A$
	1 July 2001 (or later date of appointment)	Granted	Vested	Lapsed	**30 June 2002 (or earlier retirement)**	
P M Anderson(4)	1 284 661(1)	–	428 220	–	**856 441**	9.80
C W Goodyear(3)	299 491	–	–	–	**299 491**(2)	N/A
R J McNeilly(4)	118 170(1)	–	118 170	–		N/A

(1) Includes accrued bonus shares issued as a result of the DLC Merger Bonus Issue 5 July 2001.
(2) At 30 June 2002 nil rights were exercisable.
(3) 127 400 performance shares were granted on 8 November 2001 prior to Mr Goodyear's appointment as an executive Director.
(4) 321 165 shares under Performance Rights held by Mr Anderson during the year. Mr McNeilly exercised no Performance Rights whilst an executive Director.

EMPLOYEE SHARE PLAN

Name	Shares under option						Adjusted average exercise price	Share price at exercise
	1 July 2001 (or later date of appointment)	Granted	Vested	Exercised	Lapsed	30 June 2002 (or earlier retirement)		
P M Anderson	2 065 100(1)	–	2 065 100	–	–	2 065 100	$7.62(2)	n/a
C W Goodyear	1 445 570(1)	–	722 785	–	–	1 445 570	$7.95(2)	n/a
R J McNeilly	516 275(1)	–	516 275	–	–	516 275	$7.61(2)	n/a

(1) Includes accrued bonus shares issued as a result of the DLC Merger Bonus Issue 5 July 2001.
(2) Represents exercise price (pre-adjustment for BHP Steel capital reduction 5 July 2002) divided by bonus factor.

Mr Anderson's employment as an executive Director terminated on 1 July 2002 when he became entitled to exercise his outstanding Performance Rights other than 100 000 Performance Rights that he agreed would remain in escrow (see page 52). These Performance Rights lapse if not exercised prior to 1 July 2004.

Mr McNeilly was issued 57 222 Performance Rights after approval by shareholders in the General Meeting held on 17 October 2000. Each Performance Right constitutes the right to acquire 2.0651 ordinary BHP Billiton Limited shares subject to a performance hurdle. The Performance Rights had zero exercise price. Mr McNeilly retired as a Director on 31 December 2001. These Performance Rights became exercisable upon his retirement and Mr McNeilly exercised them on 31 May 2002 when the share price was A$10.80.

Employee Share Plan

Mr Anderson was issued with 1 000 000 options and Mr McNeilly with 250 000 options under the BHP Billiton Limited Employee Share Plan after approval by shareholders in the BHP Billiton Limited General Meeting on 26 February 1999. The options were not exercisable before 23 April 2002 and were subject to performance hurdles. The performance hurdle related to BHP Billiton Limited's total shareholder return relative to comparator groups of companies. Performance against the hurdle was first measured during the year ended 30 June 2002 and the options became fully exercisable. The options expire on 22 April 2009.

Mr McNeilly exercised options issued to him on 23 April 1999 on 21 May 2002 when the share price was A$11.20.

Mr Goodyear's options were granted prior to his appointment as executive Director. 722 785 shares under option could be acquired through exercise at 30 June 2002.

The share price at the end of the year was A$10.30 and the highest and lowest prices during the year were A$12.49 and A$7.87 respectively.

BHP BILLITON EXECUTIVE SHARE SCHEME

Name	Number of shares	
	30 June 2002	30 June 2001
R J McNeilly	**1 763 731**(1)	1 763 731(1)

(1) Includes fully paid bonus shares issued as a result of the DLC Merger Bonus Issue 5 July 2001 and fully paid bonus shares issued as a result of rights issues in 1995 and 1989.

Remuneration of non-executive Directors

As foreshadowed in the last annual report, a review of fees payable to non-executive Directors was conducted during the year. The principles that underpinned that review were that Directors would receive one fee only for their service as Directors of both Companies, the aggregate of fees paid would be contained within the cap of US$3 million approved by shareholders in May 2001, and fees would be conformed so that all Directors would receive the same base fee for service.

The Board (comprised of executive Directors with no personal interest in the outcome) determined the revised fees that were announced on 2 May 2002. To assist in determining the appropriate fees, a report was commissioned from Andersen to provide information on the level and mix of fees payable to non-executive Directors in Australia, the UK and the US.

The new remuneration rates reflect the size and complexity of the Group and the considerable travel burden imposed on members of the Board, and comprise the following elements:

- a base fee of US$60 000 per annum (payable from 1 July 2001)
- a fee of US$1000 for each meeting attended (payable from 1 January 2002)
- a fee of US$7500 to the chairman of a Committee of the Board (payable from 1 July 2001)
- a travel allowance of US$1000 for air travel that is more than four hours but less than 12 hours and US$2500 where air travel is more than 12 hours.

The Chairman's remuneration was 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 Deputy Chairman is paid a fee of US$150 000. As in the case of the Chairman, no additional fees are paid for chairing the Remuneration Committee, or for attending meetings of the Board.

Fees are denominated in US dollars and are paid in either US dollars, Australian dollars or UK pounds, as nominated by the Director.

Each non-executive Director is appointed for an indefinite term, subject to periodic re-election by the shareholders. There are no provisions in any of the non-executive Director's appointment arrangements for compensation payable on early termination of their directorship.

FEES PAID TO NON-EXECUTIVE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2002

	Fees and allowances US$	Other benefits US$	**2002 Total US$**	2001 Total US$	**2002 Retirement benefits US$**	**2002 Total US$**
Don Argus	245 000		**245 000**	235 972	**16 524**	**261 524**
Ben Alberts	70 000		**70 000**	58 993	**3 470**	**73 470**
David Brink	78 500	1 531	**80 031**	61 913		**80 031**
Michael Chaney	71 000		**71 000**	58 993	**4 362**	**75 362**
John Conde	67 500		**67 500**	58 993	**4 130**	**71 630**
David Crawford	84 000		**84 000**	58 993	**4 343**	**88 343**
Cornelius Herkströter	69 000	1 531	**70 531**	78 106		**70 531**
John Jackson	155 000		**155 000**	77 480		**155 000**
David Jenkins	69 000		**69 000**	58 993	**1 785**	**70 785**
Derek Keys	69 000	7 969	**76 969**	55 776		**76 969**
John Ralph	69 000		**69 000**	58 993	**4 130**	**73 130**
Lord Renwick	68 000		**68 000**	50 540		**68 000**
Barry Romeril	69 000	1 531	**70 531**	50 294		**70 531**
John Schubert	70 000		**70 000**	58 993	**4 130**	**74 130**
Matthys Visser	–	–	**–**	23 499	**–**	**–**

In 1989, the shareholders of BHP Limited (now BHP Billiton Limited) approved a Retirement Plan under which non-executive Directors received a payment on retirement. The payment was calculated by reference to years of service. The existence of plans such as this have been a common feature of remuneration arrangements for non-executive Directors in Australia and BHP Billiton has always sought and obtained shareholder approval for its plans.

At the time of the merger, the Boards recognised that best practice had moved away from such plans and it was agreed that no new entrants would be admitted. This included the Directors of Billiton Plc who did not join the plan, notwithstanding that they had become Directors of BHP Billiton Limited under the terms of the merger. The Board has resolved to formally close the plan and to continue it only for so long as the current participants remain on the Board. In so doing, all of the current participants have voluntarily agreed to limit the quantum of benefits that will accrue to those calculated by reference to the old remuneration rate of A$110 000 (with the exception of the Chairman whose former rate is A$440 000), adjusted only by the same percentage as any increase in the new remuneration rates.

At the date of this report, the remaining participants in the Plan are Mr Don Argus, Mr Michael Chaney, Mr David Crawford, Dr David Jenkins, Mr John Ralph and Dr John Schubert. The Board does not believe that the continued participation of these non-executive Directors in the Plan compromises their independence.

On retirement from office on 30 June 2002, Mr Ben Alberts and Mr John Conde were both paid retirement allowances. Mr John Ralph will retire at the conclusion of the Annual General Meetings this year and will be paid a retirement allowance at that time.

The amounts paid to the non-executive Directors who retired from office during the year and the amounts accrued in favour of participating non-executive Directors as at 30 June 2002, are set out in the table below.

RETIREMENT REMUNERATION – NON-EXECUTIVE DIRECTORS

Name	Completed years of service at 30 June 2002	Lump Sum Entitlement at 30 June 2002 US$	Lump Sum Entitlement at 30 June 2001 US$
Don Argus	6	797 491	532 224
Ben Alberts	3	112 147 [(a)]	63 504
Michael Chaney	7	211 834	166 656
John Conde	7	211 834 [(a)]	166 656
David Crawford	8	224 294	177 072
David Jenkins	2	74 765	31 752
John Ralph	5	186 912	124 992
John Schubert	2	74 765	31 752

(a) Amount paid on retirement at 30 June 2002. These payments were funded in part by superannuation contributions described on page 50.

Aggregate remuneration of the Directors of BHP Billiton in accordance with UK Generally Accepted Accounting Principles is set out in the table below.

AGGREGATE DIRECTORS' REMUNERATION

	2002 US$M	2001 US$M
Emoluments [(a)]	**9**	10
Emoluments of Mr Kesler who resigned in 2001	**–**	1
Total emoluments	**9**	11
Termination payments	**2**	2
Awards vesting under long-term incentive plans (highest paid Director 2002: US$7 million; 2001: US$0.5 million)	**9**	5
Contributions payable under defined contribution pension arrangements	**–**	–
	20	18

(a) This is the aggregate in the tables on page 50 for executive Directors and former executive Directors of Base salary, Annual cash bonus, Deferred cash bonus and other benefits adjusted to reflect the remuneration paid to Mr C W Goodyear for his services as an executive Director of the Company and the emoluments paid to the non-executive Directors set out above.

BHP BILLITON CHARTER

WE ARE BHP BILLITON, A LEADING GLOBAL RESOURCES COMPANY.

Our purpose is to create value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

To prosper and achieve real growth, we must:

- actively manage and build our portfolio of high-quality assets and services
- continue the drive towards a high-performance organisation in which every individual accepts responsibility and is rewarded for results
- earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in our communications and consistently delivering on commitments.

We value:

- **Safety and the Environment** – An overriding commitment to health, safety, environmental responsibility and sustainable development.
- **Integrity** – Doing what we say we will do.
- **High Performance** – The excitement and fulfilment of achieving superior business results and stretching our capabilities.
- **Win-Win Relationships** – Having relationships that focus on the creation of value for all parties.
- **The Courage to Lead Change** – Accepting the responsibility to inspire and deliver positive change in the face of adversity.
- **Respect for Each Other** – The embracing of diversity, enriched by openness, sharing, trust, teamwork and involvement.

We are successful in creating value when:

- our shareholders are realising a superior return on their investment
- our customers and suppliers are benefiting from our business relationships
- the communities in which we operate value our citizenship
- every employee starts each day with a sense of purpose and ends each day with a sense of accomplishment.

Brian Gilbertson
Chief Executive

1 July 2002

bhpbilliton

Directors' Report

The information presented in this Report is information pertaining to BHP Billiton Limited and BHP Billiton Plc and their subsidiaries.

Principal activities and business review

For part of the period, BHP Billiton Plc and BHP Billiton Limited operated solely as holding companies for the BHP Billiton Plc Group and BHP Billiton Limited Group respectively. In November 2001, BHP Billiton Plc's activities were extended to the provision of services to certain BHP Billiton Plc Group companies.

The principal activities of the BHP Billiton Group during the financial period were minerals exploration, production and processing (particularly alumina, aluminium, copper, iron ore, metallurgical coal, ferroalloys, energy coal, nickel, diamonds and titanium minerals), oil and gas exploration and development, and steel production and processing.

Shortly after the end of the financial year, BHP Billiton withdrew from steel production and processing through the demerger of BHP Steel Limited, which is discussed on pages 5, 26 and 92. Apart from this, there were no significant changes in the nature of the Group's principal activities during the financial period.

A review of the development of the business of the BHP Billiton Group during the financial period and an indication of likely future developments in the business of the Group appear in the Chairman's Review, the Chief Executive's Report, the Customer Sector Group Reviews, the Financial Review and other material in the Annual Report that includes information on the Group's business and future development.

Results

The consolidated profit and loss account set out on pages 72 and 73 shows an attributable profit of US$1690 million compared to US$1529 million in 2001.

Share buy-back scheme and contingent purchase contract

The BHP Billiton Group has in place a share buy-back program, under which up to 186 million shares in BHP Billiton Limited can be purchased on market and cancelled between 1 July 2001 and 1 October 2002, taking into account shares in BHP Billiton Plc purchased and cancelled pursuant to a contingent purchase contract (see below). The level of share purchases undertaken will remain subject to prevailing market conditions and alternative capital investment opportunities available to the BHP Billiton Group. At the date of this Report, a total of 4 134 622 shares in BHP Billiton Limited have been acquired under the buy-back program for capital maintenance purposes. The aggregate amount of consideration paid for these shares was US$19 million.

At the Annual General Meeting of BHP Billiton Plc held on 19 October 2001, shareholders renewed the authority given to the Directors at the Annual General Meeting in 2000 approving the terms of the contingent purchase contract between BHP Billiton Plc and MSI Investments (BVI) Limited, an indirect wholly-owned subsidiary of BHP Billiton Plc. This authority allowed BHP Billiton to put in place a structure intended to have an effect similar to market repurchase by BHP Billiton Plc of its own shares, while giving the BHP Billiton Group greater flexibility in terms of management of its capital structure. Under the structure, appointed brokers are able to purchase up to 231 million ordinary shares in BHP Billiton Plc in the market on behalf of a special purpose vehicle Nelson Investment Ltd (Nelson). This represents 9.36 per cent of the issued capital of BHP Billiton Plc as at 28 August 2002. The authority was not, however, used during the year.

The contingent purchase contract, if entered into, will give BHP Billiton Plc the right, but not the obligation, to repurchase and cancel at any time prior to the expiry of the contingent purchase contract up to 231 million of its shares purchased and held by Nelson. Alternatively, Nelson can place the shares in the market for the benefit of the BHP Billiton Group. It is not intended that the shares would be placed in the market unless this is appropriate for the capital requirements of the BHP Billiton Group. Shareholders will be requested to renew the existing authority at the Annual General Meetings on 4 November 2002.

Directorate

The Directors of BHP Billiton at the date of this Report are set out on pages 32 and 34. Directors who retired during the financial year are set out in the table below.

FORMER DIRECTORS

Director	Date of retirement
B C Alberts	30 June 2002
J C Conde	30 June 2002
D L Keys	30 June 2002
R J McNeilly	16 October 2001
B D Romeril	30 June 2002

The table below sets out details of each Director's relevant interests in shares of BHP Billiton Plc and BHP Billiton Limited, at the beginning and the end of the financial year and at the date of this Annual Report. Their rights or options over shares in BHP Billiton Plc and BHP Billiton Limited are set out on pages 55 to 56.

The interests of the Directors who held office at 30 June 2002 in the shares of BHP Billiton Plc and BHP Billiton Limited are:

DIRECTORS' SHARE INTEREST

BHP Billiton shares [1]	As at date of Report	**As at 30 June 2002**	As at 1 July 2001	BHP Billiton shares [1]	As at date of Report	**As at 30 June 2002**	As at 1 July 2001
Brian Gilbertson	961 283	**903 252**	496 813	Charles Goodyear [4][5]	*82 604*	***82 604***	–
Don Argus	*193 495*	***193 495***	*173 495*	Cornelius Herkströter	10 642	**10 000**	10 000
John Jackson	13 303	**12 500**	12 500	David Jenkins	*10 326*	***10 326***	*10 326*
Ben Alberts [2]	*10 326*	***10 326***	*10 326*	Derek Keys [2]	70 000	**70 000**	70 000
Paul Anderson	*1 934 014*	***901 129***	*683 218*	John Ralph	*29 190*	***29 190***	*29 190*
David Brink	39 377	**37 000**	37 000	Lord Renwick	6 385	**6 000**	6 000
Michael Chaney[3]	*12 338*	***4 338***	*4 338*		*2 066*	***2 066***	*1 000*
John Conde [2][3]	*42 144*	***42 144***	*42 469*	Barry Romeril [2]	10 000	**10 000**	10 000
David Crawford [3]	*26 127*	***16 127***	*13 126*	John Schubert	*23 675*	***23 675***	*23 675*

(1) Shares in BHP Billiton Limited are shown in italics. All interests are beneficial.
(2) Resigned 30 June 2002.
(3) Includes shares held in name of spouse.
(4) Held in the form of 41 302 American Depository Shares.
(5) Appointed to Board on 29 November 2001, at which date he held 82 604 shares.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING THE YEAR ENDED 30 JUNE 2002

	Board		RM&AC		Nomination		Remuneration		HSE	
	A	B	A	B	A	B	A	B	A	B
D R Argus	7	7			6	6				
P M Anderson	7	7								
B C Alberts	7	7	13	13						
D C Brink	7	6			6	4			3	3
M A Chaney	7	7								
J C Conde	7	7					6	6		
D A Crawford	7	7	13	13						
B P Gilbertson	7	7							3	2
C W Goodyear*	5	5								
C A Herkströter	7	4	13	8						
J B Jackson	7	7					6	6		
D A Jenkins	7	7							3	3
D L Keys	7	6					6	5		
R J McNeilly#	2	2								
J T Ralph	7	7					6	6		
Lord Renwick	7	6			6	5				
B D Romeril	7	5	13	12						
J M Schubert	7	7			6	5				

* Appointed to Board 29 November 2001.
\# Retired from Board 16 October 2001.
Column A – Indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.
Column B – Indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.
Retired as at 30 June 2002 – Mr B C Alberts, Mr J C Conde, Mr D L Keys, Mr B D Romeril.

Value of land
Much of the BHP Billiton Group’s interest in land consists of leases and other rights, which permit the working of such land and the erection of buildings and equipment thereon for the purpose of extracting and treating minerals. Such land is mainly carried in the accounts at cost, and it is not possible to estimate the market value as this depends on product prices over the long term, which will vary with market conditions.

Political and charitable donations
During the year, the BHP Billiton Group made UK charitable donations of US$482 064 and charitable donations worldwide totalling US$40 339 528. No political contributions were made.

Exploration, research and development
Companies within the Group carry out exploration and research and development necessary to support their activities.

Employee policies and involvement
The Group’s policy is to encourage effective communication and consultation between employees and management. To facilitate the Group's global communications policy, BHP Billiton has a dedicated internal communications division, which manages the release of information to staff across the world. In addition to the regular production and release of operational and global newsletters and bulletins, employees are also regularly invited to briefings by senior management on important issues such as company strategy and results, and health and safety matters.

BHP Billiton also provides information about issues of importance to employees via its intranet and email facilities. These are important tools for inviting employee feedback and increasing awareness of corporate and financial performance. In addition, all BHP Billiton employees can access the Company's Annual Reports and other key publications via the intranet.

BHP Billiton seeks to encourage the involvement of employees in the Group’s performance by involving nominated employees in employee share schemes. These schemes are described on pages 123 to 126.

The BHP Billiton Group gives full and fair consideration to applications for employment made by disabled people, having regard to their aptitudes and abilities. Should employees become disabled during employment, they would be considered for any necessary retraining and available work within their capabilities. For the purpose of training, career development and promotion, disabled employees are treated in the same way as other employees.

Creditor payment policy
When BHP Billiton enters into a binding contract with a supplier, payment terms will be agreed when the contract begins and the supplier will be made aware of these terms. BHP Billiton does not have a specific policy towards its suppliers and does not follow any code or standard practice. However, BHP Billiton settles terms of payment with suppliers when agreeing overall terms of business and seeks to abide by the terms of the contracts to which it is bound. BHP Billiton had no trade creditors at 30 June 2002.

Auditors
A resolution to reappoint the joint auditors, KPMG Audit Plc and PricewaterhouseCoopers, will be proposed at the Annual General Meeting in accordance with Section 384 of the Companies Act 1985.

Annual General Meeting
The 2002 Annual General Meeting will be held on 4 November 2002. The notice convening the meeting is sent to shareholders separately with this Report, together with an explanation of the items of special business to be considered at the meeting.

By order of the Board

D R Argus
Chairman of Directors

Brian Gilbertson
Chief Executive

9 September 2002

Status of financial information

On 29 June 2001, Billiton Plc (now BHP Billiton Plc) and BHP Limited (now BHP Billiton Limited) entered into a Dual Listed Companies (DLC) merger. This was brought into effect 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. The consolidated financial statements of BHP Billiton Plc therefore include BHP Billiton Limited and its subsidiary companies, using the merger method of accounting in accordance with UK accounting standards.

Basis of presentation of financial information

The financial information is presented in accordance with UK GAAP. The reporting currency is US dollars, the dominant currency in which the BHP Billiton Group operates.

The Directors, having made appropriate enquiries, consider that the BHP Billiton Group has adequate resources to continue in operational business for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial statements.

The financial information in this section has been prepared on the same basis and using the same accounting policies as were used in preparing the financial statements for the year ended 30 June 2001, except as noted below.

With effect from 1 July 2001, the majority of BHP Billiton Limited's businesses changed their functional currency to US dollars, the functional currency of the combined BHP Billiton Group. The effect of this change for the year ended 30 June 2002 has been a decrease in attributable profit of US$47 million. This is consistent with BHP Billiton Plc's previous policy and is the basis on which the combined BHP Billiton Group manages its businesses. Most BHP Billiton commodities are sold in US dollars and are predominantly destined for export markets. BHP Billiton's reporting currency is US dollars.

Concurrent with this change, 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 figures and no prior period adjustment has been made.

KEY FINANCIAL INFORMATION FOR THE BHP BILLITON GROUP

Year ended 30 June	**US$M 2002**	US$M 2001	% change
Turnover[a]	**17 778**	19 079	–6.8
EBITDA[b]			
excluding exceptional items	**4 915**	5 299	–7.2
including exceptional items	**4 703**	4 211	11.7
EBIT			
excluding exceptional items	**3 188**	3 627	–12.1
including exceptional items	**2 976**	2 539	17.2
Attributable profit			
excluding exceptional items	**1 934**	2 189	–11.6
including exceptional items	**1 690**	1 529	10.5
Basic earnings per share (cents)			
excluding exceptional items	**32.1**	36.8	–12.8
including exceptional items	**28.0**	25.7	8.9
Net operating assets	**22 394**	21 712	3.1
EBITDA interest cover excluding exceptional items (times)[c]	**11.0**	8.5	29.4
Gearing (net debt/[net debt + net assets])	**35.0%**	38.4%	–8.9

[a] Including share of joint ventures and associates.
[b] Earnings before interest, tax, depreciation and amortisation.
[c] For this purpose, interest includes capitalised interest and excludes the effect of discounting on provisions, and exchange differences arising from net debt.

Results for financial year 2002

Overview
The financial results for the year ended 30 June 2002 for the BHP Billiton Group again demonstrated the financial strength of the merged group, exemplified by strong operating cash flow generation, stable earnings before interest, tax, depreciation and amortisation and underlying balance sheet strength.

Attributable profit, excluding exceptional items, for 2002 of US$1934 million, was a decrease of 12 per cent from the previous year (2001: US$2189 million).

Earnings Before Interest and Tax (EBIT)
The following represents the approximate impact of major factors affecting EBIT (before exceptional items and minority equity interest) for the year ended 30 June 2002 compared with the corresponding period:

- Lower prices for crude oil, aluminium, copper, nickel, chrome, alumina, diamonds, silver and zinc decreased turnover by approximately US$1035 million. This decrease was partly offset by higher prices for metallurgical coal, energy coal, and gas prices, which increased turnover by approximately US$370 million.
- Lower sales volumes from Base Metals, Carbon Steel Materials, Petroleum products, Energy Coal and Titanium Minerals businesses were partly offset by higher sales volumes from the Stainless Steel Materials businesses, resulting in a net volume impact on EBIT of a loss of approximately US$165 million.
- Cost reductions increased EBIT by approximately US$350 million compared with the corresponding period. Lower price-linked costs of approximately US$270 million were mainly due to lower royalties and taxes for Petroleum products, together with lower costs for London Metals Exchange (LME) listed commodities. These factors were partially offset by increased royalty costs at metallurgical coal operations, mainly reflecting higher metallurgical coal prices.

  Merger benefit initiatives generated net cost savings of approximately US$110 million during the year.

  Costs increased at Escondida (Chile), mainly reflecting the decision to reduce production in response to weaker base metals markets, while increased costs at metallurgical coal operations (Australia) and energy coal operations (New Mexico) were due to operational issues. These factors were partly offset by lower operating costs at Liverpool Bay (UK) and Hillside (South Africa), primarily reflecting higher maintenance activities in the corresponding period; cost reductions at the Gulf of Mexico (US) petroleum operations mainly due to increased productivity; and savings at Western Australian Iron Ore operations due to lower port and rail costs.

  Inflation increased costs by approximately US$210 million.
- New and acquired operations increased EBIT by approximately US$185 million compared with the corresponding period, mainly due to commencement of production of petroleum from Typhoon (America), Zamzama (Pakistan) and Keith (North Sea); increased ownership interests in the Worsley alumina refinery (Australia); the fully commissioned Mozal aluminium smelter (Mozambique); the acquisition of an additional 29 per cent interest in the Ekati™ diamond business; a full year's contribution from Rio Algom base metals businesses; and the first full year contribution from Carbones del Cerrejon and Cerrejon Zona Norte Coal (Colombia). These factors were partially offset by a downturn in the Integris (formerly Metals Distribution) business in the US compared with the corresponding period.
- Steel profits (excluding OneSteel Limited) reduced by approximately US$130 million. The corresponding period included contribution to EBIT of approximately US$125 million from a higher ownership interest in metallurgical coal (Queensland), the sale of Buffalo oilfield (Australia), spun-out steel operations (OneSteel Limited), and the Ok Tedi copper mine (PNG), partly offset by losses from HBI Venezuela. The current period included a lower contribution from PT Arutmin Indonesian energy coal operations, due to the sale of the business in November 2001.
- Foreign currency fluctuations had a favourable effect of approximately US$375 million, mainly due to the impact of lower Rand/US$ exchange rates (US$265 million) and A$/US$ exchange rates (US$85 million) on related operating costs and the conversion of monetary assets and liabilities (including provision balances), and reduced losses on legacy A$/US$ currency hedging.
- Profits from asset sales were approximately US$45 million higher than the corresponding period, mainly due to the profit on the sale of PT Arutmin energy coal operations in Indonesia.
- Exploration charged to profit was approximately US$45 million higher than the corresponding period, mainly due to the write-off of La Granja copper exploration activities (Peru), together with increased petroleum activity in the Gulf of Mexico.

Exceptional items
Exceptional items totalling US$212 million (before tax) were expensed at year end. These included one-off costs of US$80 million relating to the merger and restructuring of the Group during the year.

Following a re-assessment of the Group's asset disposal and closure plans relating to its South West 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.

Sulphide operations at Tintaya (Peru) have 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.

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, with an adverse impact of US$56 million on the full year's results. The tax effects of other exceptional items were a benefit of US$24 million.

After accounting for these exceptional items, the remaining attributable profit was US$1690 million, 10.5 per cent higher than the US$1529 million of last year. Basic earnings per share, including exceptional items, were 28.0 US cents, 8.9 per cent higher than the 25.7 US cents of the corresponding period.

The major exceptional items before taxation for the year ended 30 June 2001 included charges to profit of:

- US$520 million associated with the write-off of the BHP Billiton Group's equity investment in HBI Venezuela and the establishment of provisions for related financial obligations to banks and other associated costs
- US$430 million from the write-off of the Ok Tedi copper mine
- US$114 million for a reduction in the carrying value of the Columbus Stainless Steel Joint Venture, following conditional agreement to sell down the BHP Billiton Group's interest
- US$92 million related to merger transaction costs
- US$64 million related to organisational restructuring costs and provisions mainly related to the merger.

These items are partially offset by a US$128 million profit from sale of interests in the Central Queensland Coal Associates (CQCA) and Gregory Joint Ventures to Mitsubishi and a US$61 million profit from the sale of expansion rights at Mozal.

A taxation charge of US$33 million was incurred for non-deductibility of financing costs, as a consequence of an income tax audit. The tax effects of other significant items were a benefit of US$165 million.

Customer Sector Group financial results

The table below provides a summary of the Customer Sector Group financial results for the year ended 30 June 2002, compared with the corresponding period.

An explanation of the major factors influencing the performance of the Customer Sector Groups is included on pages 14 to 25. An explanation of the performance of Diamonds and Specialty Products, and Group and Unallocated Items is provided on page 66.

CUSTOMER SECTOR GROUP – FINANCIAL RESULTS SUMMARY TO YEAR ENDED 30 JUNE 2002

	EBIT (excluding exceptionals)		EBIT (including exceptionals)	
(US$ million)	**Year ended 30 June 2002**	Year ended 30 June 2001	**Year ended 30 June 2002**	Year ended 30 June 2001
Aluminium	**492**	523	**488**	576
Base Metals	**200**	462	**55**	454
Carbon Steel Materials	**1 084**	918	**1 078**	1 044
Stainless Steel Materials	**3**	72	**–**	(51)
Energy Coal	**536**	382	**531**	348
Diamonds and Specialty Products	**272**	188	**266**	175
Petroleum	**1 073**	1 407	**1 069**	1 407
Steel	**101**	270	**101**	248
Group and Unallocated Items	**(573)**	(595)	**(612)**	(1 662)
BHP Billiton Group	**3 188**	3 627	**2 976**	2 539

Diamonds and Specialty Products
Excluding exceptional items, Diamonds and Specialty Products contributed EBIT of US$272 million, up from US$188 million, an increase of 44.7 per cent compared with the corresponding period. The increase in EBIT was primarily due to increased profits from Ekati Diamond Mine™, mainly reflecting the acquisition of an additional 29 per cent interest in June 2001 together with increased production due to higher ore grade and higher recoveries of lower-quality diamonds. The increase in carat production has been driven by the introduction of the Misery Pipe (higher-grade and lower-value stones) and the continued optimisation of the process plant. These factors were partially offset by lower diamond prices, mainly due to a general downturn in the global economy, and lower volumes from the titanium minerals operations, primarily reflecting weaker market conditions in the US and Japan.

Group and Unallocated Items
The result before exceptional items for Group and Unallocated Items was an EBIT loss of US$573 million for the year, compared with an EBIT loss of US$595 million in the corresponding period.

The net costs of Group and Unallocated Items, excluding losses from legacy A$/US$ currency hedging, were US$242 million, compared with US$235 million in the corresponding period.

Group and Unallocated Items include losses on legacy A$/US$ currency hedging of approximately US$331 million, compared with losses of US$360 million in the corresponding period. These losses mainly reflect the lower value of hedge settlement rates compared with hedge contract rates for currency hedging contracts settled during the year.

Interest
Net interest expense (before exchange gains on net debt) fell to US$429 million from US$625 million in the corresponding period. Net interest, including capitalised interest and excluding discounting on provisions, fell from US$625 million to US$445 million. That reduction of US$180 million (28.8 per cent) was principally driven by an improved credit rating, lower average debt levels and lower market interest rates.

Exchange gains on net debt were US$180 million compared with US$149 million in the corresponding period, arising primarily on the year-end translation of South African rand denominated debt of companies that account in US dollars as their functional currency.

Taxation
The tax charge for the year (excluding exceptional items) was US$958 million, representing an effective rate of 32.6 per cent. Excluding the impact on tax of non tax-effected foreign currency gains and other functional currency translation adjustments, the effective rate was 32.7 per cent. This rate is above the nominal rate of 30 per cent mainly due to non tax-effected losses in the current year, non-deductible accounting depreciation and amortisation, and secondary taxes on dividends paid and payable by South African entities, partly offset by the recognition of prior-year tax losses.

Cash flow
Capital expenditures and financial investment totalled US$2621 million for the year. Expenditure on growth projects amounted to US$1590 million, including Escondida Phase IV, the ROD oil and Ohanet wet gas projects in Algeria, Mozal II, and Petroleum projects in the Gulf of Mexico. Maintenance capital expenditure was US$891 million. Exploration expenditure was US$390 million, an increase of US$49 million.

Net cash outflow from acquisitions and disposals was US$38 million, including additional investments in Colombian coal assets and Ekati™, less the proceeds from the sale of PT Arutmin (Indonesia).

After dividend payments of US$811 million (up from US$751 million in the prior year) net cash flow (before management of liquid resources and financing) amounted to US$448 million. This inflow compares to an outflow of US$1977 million in the corresponding period, which included the acquisitions of Rio Algom and the additional 56 per cent interest in the Worsley alumina refinery.

Portfolio management
The demerger of BHP Steel in July 2002 was a landmark event, severing a link of many decades. The outcome was embraced by both organisations, launching BHP Steel as an independent, world-class steel business and releasing BHP Billiton to focus on its upstream interests. Strong demand for the BHP Steel shares, which were sold through the Sale Facility to participants under the Retail and Institutional offers, took the final price to A$2.80 per BHP Steel share. The 6 per cent retained by BHP Billiton and sold through the Sale Facility brought a cash benefit of US$75 million in July 2002. Accounting rules will see the difference between this selling price and the book value – some US$19 million – appear as a loss in the 2003 financial statements. BHP Billiton Plc shareholders received approximately 149 million bonus shares to match the demerger value distributed to BHP Billiton Limited shareholders.

During the year, the BHP Billiton Group also finalised its responsible exit from the Ok Tedi copper mine in Papua New Guinea, transferring its equity to an independent company established to support the future social and economic development of the people of Papua New Guinea. The BHP Billiton Group also announced the sale of its interest in the PT Arutmin Indonesia energy coal operations, and the acquisition, in conjunction with its partners, of the 50 per cent interest in Cerrejon Zona Norte energy coal mine in Colombia, bringing its interest in the overall company to 33 per cent.

Balance sheet
Total assets less current liabilities for the Group were US$23 323 million at 30 June 2002, an increase of US$530 million from the 30 June 2001 position.

Equity shareholders' funds for the BHP Billiton Group were US$12 356 million at 30 June 2002, an increase of US$1016 million from the previous year. Net debt for the BHP Billiton Group decreased by 7 per cent to US$6822 million.

As a consequence of the above, the gearing ratio decreased to 35.0 per cent, compared with 38.4 per cent for the previous year.

Currency

Currency fluctuations affect the profit and loss account in two principal ways:

Sales are predominantly based on US dollar pricing (the principal exceptions being Petroleum's gas sales, Steel's sales to Australian customers and Energy Coal's sales to South African domestic customers). However, a proportion of operating costs (particularly labour) arises in the local currency of the operations, most significantly the Australian dollar and South African rand, but also the Brazilian real, Chilean peso and Colombian peso. Accordingly, changes in the exchange rates between these currencies and the US dollar can have a significant impact on the Group's reported results.

Several subsidiaries hold certain monetary assets and liabilities denominated in currencies other than their functional currency (US dollars), in particular non-US dollar denominated debt, tax liabilities and provisions. Monetary assets and liabilities are converted into US dollars at the closing rate. The resultant differences are accounted for in the profit and loss account in accordance with UK GAAP.

Capital management

A US$2.5 billion syndicated multi-currency revolving facility was completed in September 2001. This facility replaced the US$1.2 billion credit facility of the BHP Billiton Limited Group and the US$1.5 billion and US$1.25 billion credit facilities of the BHP Billiton Plc Group. The facility includes a US$1.25 billion 364-day revolving credit component, and a US$1.25 billion five-year revolving credit component.

In October 2001, the BHP Billiton Group increased its A$ Commercial Paper Program limit from A$1 billion to A$2 billion. During November 2001, the Group issued A$1 billion in debt securities in two tranches: A$750 million of 7-year, 6.25 per cent notes maturing August 2008; and A$250 million of 3-year, floating rate notes maturing November 2004. In addition a US$1.5 billion Euro Medium Term Note (EMTN) program was established during June 2002.

In accordance with the announced share buy-back program, BHP Billiton Limited re-purchased 4 134 622 shares during the year at a weighted average price of A$8.83 per share. The buy-back program allows for the purchase of either BHP Billiton Limited or BHP Billiton Plc shares, up to a limit of 186 million shares.

Dividends

An interim dividend of 6.5 US cents per fully paid ordinary share was paid in December 2001 and a final dividend of 6.5 US cents per fully paid ordinary share was paid in July 2002, bringing the total for the year to 13.0 US cents. The BHP Billiton Limited dividends were fully franked for Australian taxation purposes.

The corresponding period for BHP Billiton Limited shareholders included an unfranked interim dividend of 12.1 Australian cents per fully paid share (adjusted for merger bonus issue) and a fully franked final dividend of 12.6 Australian cents per fully paid share (adjusted for merger bonus issue).

The corresponding period for BHP Billiton Plc shareholders included an interim dividend of 4.0 US cents per share and a final dividend of 8.0 US cents per share.

Dividends for the BHP Billiton Group are determined and declared in US dollars. However, BHP Billiton Limited dividends are mainly paid in Australian dollars and BHP Billiton Plc dividends are mainly paid in pounds sterling to shareholders on the UK section of the register and South African rand to shareholders on the South African section of the register. The rates of exchange applicable two business days before the declaration date were used for conversion.

Statement of Directors' responsibilities in respect of the preparation of the Financial Statements

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the report of the auditors set out on the following page, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to the financial statements.

The Directors are required by the UK Companies Act 1985 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of BHP Billiton Plc and the BHP Billiton Group and of the profit or loss for the period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the BHP Billiton Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of BHP Billiton Plc and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the BHP Billiton Group and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of BHP Billiton Plc

We have audited the financial statements on pages 71 to 168.

We have also examined the amounts disclosed relating to emoluments, share option schemes, long-term incentive scheme interests and pension benefits of the Directors, which form the part of the Directors' Remuneration Report on pages 47 to 58.

Respective responsibilities of the Directors and the joint auditors

The Directors are responsible for preparing the Annual Report. As described on page 68, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 38 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and registered auditor
London, 9 September 2002

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and registered auditors
London, 9 September 2002

Financial Statements

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Consolidated Profit and Loss Account

for the year ended 30 June 2002

		2002			2001			2000		
	Notes	**Excluding exceptional items US$M**	**Exceptional items (note 2) US$M**	**Including exceptional items US$M**	Excluding exceptional items US$M	Exceptional items (note 2) US$M	Including exceptional items US$M	Excluding exceptional items US$M	Exceptional items (note 2) US$M	Including exceptional items US$M
Turnover (including share of joint ventures and associates)	4,5	**17 778**	**–**	**17 778**	19 079	–	19 079	18 402	–	18 402
less Share of joint ventures' and associates' turnover included above	4,5	**(1 872)**	**–**	**(1 872)**	(1 290)	–	(1 290)	(987)	–	(987)
Group turnover	4,5	**15 906**	**–**	**15 906**	17 789	–	17 789	17 415	–	17 415
Continuing operations		**13 562**	**–**	**13 562**	14 771	–	14 771	12 744	–	12 744
Discontinued operations	3	**2 344**	**–**	**2 344**	3 018	–	3 018	4 671	–	4 671
Net operating costs (a)	7	**(13 192)**	**(111)**	**(13 303)**	(14 551)	(60)	(14 611)	(14 777)	(695)	(15 472)
Group operating profit/(loss)		**2 714**	**(111)**	**2 603**	3 238	(60)	3 178	2 638	(695)	1 943
Continuing operations		**2 655**	**(111)**	**2 544**	3 005	(38)	2 967	2 274	(695)	1 579
Discontinued operations	3	**59**	**–**	**59**	233	(22)	211	364	–	364
Share of operating profit/(loss) of joint ventures and associates (b)		**340**	**–**	**340**	281	(634)	(353)	239	–	239
Operating profit/(loss) (including share of profit of joint ventures and associates)		**3 054**	**(111)**	**2 943**	3 519	(694)	2 825	2 877	(695)	2 182
Continuing operations		**2 984**	**(111)**	**2 873**	3 284	(672)	2 612	2 485	(695)	1 790
Discontinued operations	3	**70**	**–**	**70**	235	(22)	213	392	–	392
Income from other fixed asset investments										
Continuing operations		**37**	**–**	**37**	28	–	28	17	–	17
Discontinued operations	3	**1**	**–**	**1**	4	–	4	3	–	3
Profit on sale of fixed assets										
Continuing operations		**13**	**–**	**13**	71	128	199	123	–	123
Discontinued operations	3	**15**	**–**	**15**	1	–	1	1	–	1
Profit/(loss) on sale of subsidiaries										
Continuing operations		**68**	**–**	**68**	4	–	4	6	131	137
Discontinued operations	3	**–**	**–**	**–**	–	–	–	–	(135)	(135)
Loss on termination of operations										
Continuing operations (c)		**–**	**(101)**	**(101)**	–	(430)	(430)	–	–	–
Costs of fundamental reorganisation										
Continuing operations		**–**	**–**	**–**	–	–	–	–	(43)	(43)
Discontinued operations	3	**–**	**–**	**–**	–	–	–	–	(18)	(18)
Merger transaction costs										
Continuing operations		**–**	**–**	**–**	–	(92)	(92)	–	–	–
Net interest and similar items payable										
Group	8	**(212)**	**–**	**(212)**	(407)	(6)	(413)	(446)	–	(446)
Joint ventures and associates	8	**(37)**	**–**	**(37)**	(63)	–	(63)	(43)	–	(43)
Profit before taxation	4,5	**2 939**	**(212)**	**2 727**	3 157	(1 094)	2 063	2 538	(760)	1 778
Taxation	10	**(958)**	**(32)**	**(990)**	(943)	132	(811)	(774)	523	(251)
Profit after taxation		**1 981**	**(244)**	**1 737**	2 214	(962)	1 252	1 764	(237)	1 527
Equity minority interests		**(47)**	**–**	**(47)**	(25)	302	277	(21)	–	(21)
Profit for the financial year (attributable profit)		**1 934**	**(244)**	**1 690**	2 189	(660)	1 529	1 743	(237)	1 506

	Notes	2002 Excluding exceptional items US$M	2002 Exceptional items (note 2) US$M	2002 Including exceptional items US$M	2001 Excluding exceptional items US$M	2001 Exceptional items (note 2) US$M	2001 Including exceptional items US$M	2000 Excluding exceptional items US$M	2000 Exceptional items (note 2) US$M	2000 Including exceptional items US$M
Profit for the financial year (attributable profit)		**1 934**	**(244)**	**1 690**	2 189	(660)	1 529	1 743	(237)	1 506
Dividends to shareholders	11	**(784)**	**–**	**(784)**	(754)	–	(754)	(788)	–	(788)
Retained profit for the financial year	24	**1 150**	**(244)**	**906**	1 435	(660)	775	955	(237)	718
Earnings per ordinary share (basic) (US cents)	12	**32.1**	**(4.1)**	**28.0**	36.8	(11.1)	25.7	30.4	(4.1)	26.3
Earnings per ordinary share (diluted) (US cents)	12	**32.1**	**(4.1)**	**28.0**	36.6	(11.0)	25.6	30.4	(4.1)	26.3
Dividend per ordinary share	11									
BHP Billiton Plc (US cents)				**13.00**			12.00			11.25
BHP Billiton Limited (US cents)				**13.00**						
BHP Billiton Limited (Australian cents) [d]							24.70			24.70

[a] In the year ended 30 June 2000, the exceptional operating costs relate to the impairment of HBI Western Australia.
[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] The BHP Billiton Limited dividends for the years ended 30 June 2001 and 2000 were declared in Australian cents. The amounts shown above are adjusted for the BHP Billiton Limited bonus issue effective 29 June 2001.

The accompanying notes form part of these financial statements.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 30 June 2002

	Group 2002 US$M	Group 2001 US$M	Group 2000 US$M	Joint ventures and associates [a] 2002 US$M	Joint ventures and associates [a] 2001 US$M	Joint ventures and associates [a] 2000 US$M	Total 2002 US$M	Total 2001 US$M	Total 2000 US$M
Attributable profit for the financial year	**1 465**	1 964	1 367	**225**	(435)	139	**1 690**	1 529	1 506
Exchange gains and losses on foreign currency net investments [b]	**25**	(712)	(469)	**–**	(51)	(33)	**25**	(763)	(502)
Total recognised gains/(losses) for the year	**1 490**	1 252	898	**225**	(486)	106	**1 715**	766	1 004

[a] Included in joint ventures' and associates' attributable profit is a profit of US$26 million (2001: US$12 million; 2000: US$nil) 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$10 million (2001: US$(90) million; 2000: US$(95) million) and associated tax expense/(benefit) of US$3 million (2001: US$(40) million; 2000: US$(40) million).

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

at 30 June 2002

	Notes	2002 US$M	2001 US$M
Fixed assets			
Intangible assets			
Goodwill	13	**42**	95
Negative goodwill	13	**(33)**	(36)
		9	59
Tangible assets	14	**20 179**	19 231
Investments			
Joint ventures – share of gross assets		**2 902**	2 816
Joint ventures – share of gross liabilities		**(1 434)**	(1 805)
	15	**1 468**	1 011
Associates	15	**85**	58
Loans to joint ventures and associates and other investments	15	**987**	911
		22 728	21 270
Current assets			
Stocks	16	**1 457**	1 675
Debtors			
Amounts due within one year	17	**2 554**	2 547
Amounts due after one year	17	**1 197**	1 036
	17	**3 751**	3 583
Investments	18	**117**	215
Cash including money market deposits	29	**1 499**	1 285
		6 824	6 758
Creditors – amounts falling due within one year	19	**(6 229)**	(5 235)
Net current assets		**595**	1 523
Total assets less current liabilities		**23 323**	22 793
Creditors – amounts falling due after more than one year	20	**(5 987)**	(7 054)
Provisions for liabilities and charges	21	**(4 654)**	(4 019)
Net assets		**12 682**	11 720
Equity minority interests		**(326)**	(380)
Attributable net assets		**12 356**	11 340
Capital and reserves			
Called up share capital – BHP Billiton Plc (nominal value US$0.50 each; 3 000 000 000 authorised; 680 852 115 unissued)	22	**1 160**	1 160
Share premium account	24	**592**	592
Contributed equity – BHP Billiton Limited	22	**3 143**	3 039
Profit and loss account	24	**7 461**	6 549
Equity shareholders' funds	25	**12 356**	11 340

The financial statements were approved by the Board of Directors on 9 September 2002 and signed on its behalf by:

Don Argus
Chairman

Brian Gilbertson
Chief Executive

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2002

	2002 US$M	2001 US$M	2000 US$M
Net cash inflow from Group operating activities (a)	**4 641**	4 805	4 444
Dividends received from joint ventures and associates	**149**	154	127
Interest paid	**(496)**	(587)	(699)
Dividends paid on redeemable preference shares	**(35)**	(69)	(47)
Interest received	**156**	132	95
Other dividends received	**38**	39	23
Dividends paid to minorities	**(20)**	(50)	(34)
Net cash outflow from returns on investments and servicing of finance	**(357)**	(535)	(662)
Taxes paid	**(606)**	(587)	(532)
Refund of taxes paid	**91**	–	–
Taxation	**(515)**	(587)	(532)
Available cash flow	**3 918**	3 837	3 377
Purchases of tangible fixed assets	**(2 481)**	(3 038)	(1 483)
Exploration expenditure	**(390)**	(341)	(261)
Disposals of tangible fixed assets	**200**	339	482
Purchase of investments and funding of joint ventures	**(182)**	(677)	(282)
Sale of investments and repayments by joint ventures	**232**	82	165
Net cash outflow from capital expenditure and financial investment	**(2 621)**	(3 635)	(1 379)
Investment in subsidiaries	**(45)**	(1 567)	(8)
Sale of subsidiaries	**190**	372	483
Net cash acquired with subsidiary	**–**	117	–
Cash transferred on disposal	**(45)**	(61)	(25)
Investment in joint ventures	**(208)**	(482)	–
Disposal of joint venture	**70**	193	8
Net cash (outflow)/inflow for acquisitions and disposals	**(38)**	(1 428)	458
Equity dividends paid	**(811)**	(751)	(361)
Net cash flow before management of liquid resources and financing	**448**	(1 977)	2 095
Net cash inflow/(outflow) from management of liquid resources	**157**	242	(252)
Redeemable preference shares	**(423)**	(425)	(484)
Finance lease obligations	**(28)**	(4)	(35)
Debt due within one year – repayment of loans	**(1 344)**	(668)	(416)
Debt due within one year – drawdowns	**1 657**	849	396
Debt due after one year – repayment of loans	**(2 722)**	(998)	(2 473)
Debt due after one year – drawdowns	**2 318**	2 072	1 363
Net cash (outflow)/inflow from debt and finance leases	**(542)**	826	(1 649)
Share repurchase scheme – BHP Billiton Plc	**–**	194	(2)
Share buy-back scheme – BHP Billiton Limited	**(19)**	–	–
Issue of shares	**104**	743	134
Net cash (outflow)/inflow from financing	**(457)**	1 763	(1 517)
Increase in cash in the year	**148**	28	326

Consolidated Statement of Cash Flows continued

for the year ended 30 June 2002

	Notes	2002 US$M	2001 US$M	2000 US$M
Reconciliation of net cash flow to movement in net debt				
Increase in cash in the year		**148**	28	326
Cash flow from debt and finance leases		**542**	(826)	1 649
Cash flow from management of liquid resources		**(157)**	(242)	252
Decrease/(increase)in net debt arising from cash flows		**533**	(1 040)	2 227
Increase in debt from acquisition and disposal of subsidiaries	29	**–**	(665)	–
Other non-cash movements	29	**–**	–	7
(Increase)/decrease in debt from exchange adjustments	29	**(34)**	476	489
Decrease/(increase) in net debt		**499**	(1 229)	2 723
Net debt at beginning of year	29	**(7 321)**	(6 092)	(8 815)
Net debt at end of year	29	**(6 822)**	(7 321)	(6 092)

(a) Net cash inflow from Group operating activities

	2002 US$M	2001 US$M	2000 US$M
Operating profit	**2 603**	3 178	1 943
Proceeds from gas sales contract renegotiation	**–**	–	146
Merger transaction costs	**–**	(92)	–
Payments relating to HBI Venezuela guarantee	**–**	(310)	–
Depreciation and amortisation	**1 727**	1 672	1 748
Impairment of assets	**119**	34	695
Employee share awards	**28**	46	10
Net exploration charge	**243**	250	216
Loss on sale of fixed assets	**–**	21	2
(Increase)/decrease in stocks	**(11)**	41	111
(Increase) in debtors	**(346)**	(141)	(16)
Increase/(decrease) in creditors	**292**	115	(144)
(Decrease)/increase in provisions	**(49)**	28	(278)
Other movements	**35**	(37)	11
Net cash inflow from Group operating activities	**4 641**	4 805	4 444

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 as BHP Limited), an Australian listed company, entered into a Dual Listed Companies (DLC) merger. This was effected by contractual arrangements between the companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) and BHP Billiton Limited 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.

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 or 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 was 38.6 per cent and 61.4 per cent respectively. Whilst this might indicate that BHP Billiton Limited would dominate the 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 comprises two legacy BHP Billiton Limited Directors and two legacy BHP Billiton Plc Directors) effectively blocks 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.

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

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-out 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 and the United Kingdom Companies Act 1985, except as described in the accounting policies note on foreign currencies and 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 for:

(a) Application of new accounting standards

The BHP Billiton Group has adopted the transitional provisions of FRS 17 'Retirement Benefits'.

In accordance with the transitional arrangements under FRS 17 full implementation is only required for accounting periods ending after 22 June 2003 (although the UK Accounting Standards Board has announced a proposal to delay full implementation). For the current year only additional disclosures are required.

(b) Change in accounting policy

With effect from 1 July 2001, the majority of the BHP Billiton Limited Group's businesses changed their functional currency to US dollars, the functional currency of the combined BHP Billiton Group. This is consistent with the BHP Billiton Plc Group and is the basis on which the combined BHP Billiton Group manages its businesses and records its transactions. Concurrent with this change, 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 34.

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 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 consolidated 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 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 and realised taxation effects, 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 Group's results. Compliance with accounting standards overrides the requirement of the Companies Act that only profits realised at the balance sheet date be included in the profit and loss account. The effect is disclosed in note 8.

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 diamonds), title passes and revenue is recognised 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 of the goods by the customer (for instance an assay for mineral content), 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.

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.

In respect of petroleum, exploration expenditure is accounted for in accordance with the successful efforts method on an area of interest basis. Exploration licence acquisition costs pertaining to new unexplored areas are expensed as incurred, except in the case of established exploration areas which are amortised over the term of the licence. Expenditure on general seismic data and other costs not directly related to a specific area of interest are expensed in the year in which they are incurred. All 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 date, exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves. 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. When proved reserves of oil and natural gas are determined and development is sanctioned and completed, the relevant expenditure is amortised on the units of production method.

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 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, except to the extent that future benefits deriving from those costs are expected beyond any reasonable doubt to exceed those costs, in which case it is 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 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 bi-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.

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 as follows:

Buildings	25–50 years straight line
Land	Not depreciated
Plant and machinery	Economic useful life (4 to 30 years)
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	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 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.

Accounting Policies continued

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

Resource rent taxes and royalties

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

Provision for employee benefits

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

Pension costs and other post-retirement benefits

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

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

Decommissioning, site restoration and environmental provisions

BHP Billiton Group companies are generally required to restore mine, 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.

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 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 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.

Exchange rates

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

	2002 Average	2001 Average	2000 Average	**As at 30 June 2002**	As at 30 June 2001
Versus US dollar					
South African rand	**10.03**	7.16	6.34	**10.25**	8.08
Australian dollar	**1.91**	1.87	1.59	**1.77**	1.98
Brazilian real	**2.50**	2.01	1.83	**2.82**	2.30
Chilean peso	**672**	577	523	**698**	632
Colombian peso	**2 487**	2 233	1 957	**2 399**	2 297
Canadian dollar	**1.56**	1.52	1.48	**1.50**	1.52

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.

Comparatives

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

Notes to Financial Statements

1 PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND JOINT ARRANGEMENTS

Subsidiary undertakings

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

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 30 June 2002 %	30 June 2001 %
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	Australia	Finance	**100**	100
BHP Billiton Iron Ore Pty Ltd	Australia	Management company and iron ore marketing	**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 Marketing AG	Switzerland	Marketing and trading	**100**	100
BHP Billiton Minerals Pty Ltd	Australia	Iron ore mining, silver mining	**100**	100
BHP Billiton Petroleum (Angola 21) Inc	Canada	Hydrocarbons exploration	**100**	100
BHP Billiton Petroleum (Australia) Pty Ltd	Australia	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (Bass Strait) Pty Ltd	Australia	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (NWS) Pty Ltd	Australia	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum Great Britain Ltd	United Kingdom	Hydrocarbons exploration, development and production	**100**	100
BHP Billiton Petroleum (International Exploration) Pty Ltd	Australia	Hydrocarbons exploration	**100**	100
BHP Billiton Petroleum (Victoria) Pty Ltd	Australia	Hydrocarbons exploration	**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 World Exploration Inc	Canada	Exploration	**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 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	**75**	75
BHP Petroleum (Pakistan) Pty Ltd	Australia	Hydrocarbon exploration	**100**	100
BHP Queensland Coal Ltd	US	Coal mining	**100**	100
BHP Resources Inc	US	Holding company	**100**	100
BHP Steel (AIS) Pty Ltd (a)	Australia	Iron and steel production and coal mining	**100**	100
BHP Steel Investments Inc (a)	US	Steel production	**100**	100

1 PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND JOINT ARRANGEMENTS continued

Subsidiary undertakings continued

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 30 June 2002 %	30 June 2001 %
BHP Steel Ltd [(a)]	Australia	Rollforming and coating of sheet steel	**100**	100
BHP Steel Malaysia Sdn Bhd [(a)]	Malaysia	Steel coating	**60**	60
BHP Steel Thailand Ltd [(a)]	Thailand	Steel coating	**87.5**	87.5
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 Metais SA	Brazil	Alumina refining and aluminium smelting	**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**	89.36
Endeavour Coal Pty Ltd	Australia	Coal mining	**100**	–
Groote Eylandt Mining Co Pty Limited	Australia	Manganese mining	**60**	60
Hamilton Brothers Petroleum Corporation	US	Hydrocarbons exploration, development and production	**100**	100
Illawarra Coal Holdings Pty Ltd	Australia	Coal mining	**100**	100
Ingwe Coal Corporation Limited	South Africa	Coal mining	**100**	100
NAMD Inc	US	Holding company and metals distribution	**100**	100
Ok Tedi Mining Ltd	Papua New Guinea	Copper mining	**–**	52
PT Arutmin Indonesia Pty Ltd	Indonesia	Coal mining	**–**	80
PT BHP Steel Indonesia [(a)]	Indonesia	Steel coating	**74**	74
QNI Pty Ltd	Australia	Nickel refining	**100**	100
QNI Resources Pty Ltd	Australia	Holding company	**100**	100
QNI Metals Pty Ltd	Australia	Holding company	**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	**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 [(a)]	New Zealand	Iron and steel production	**100**	100

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

(a) Attributable to discontinued operations. Refer note 3.

Notes to Financial Statements continued

1 PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND JOINT ARRANGEMENTS continued

Joint ventures

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

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 30 June 2002 %	30 June 2001 %
Minera Antamina SA	Peru	Copper and zinc mining	**34**	34
Carbones del Cerrejon SA	Colombia	Coal mining	**33**	33
Cerrejon Zona Norte SA	Colombia	Coal mining	**33**	17
Columbus Joint Venture (a)	South Africa	Stainless steel production	**–**	20
Highland Valley Copper	Canada	Copper mining	**34**	34
North Star BHP Steel (b)	US	Steel manufacturing – flat products	**50**	50
Orinoco Iron C.A.	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**	–
Integris Metals (refer note 26)	US	Metals distribution	**50**	–

(a) During the year the assets of the Columbus Joint Venture were transferred to Columbus Stainless Pty Limited. The Group's effective interest in this business was reduced to 7.2 per cent and is now accounted for as a fixed asset investment.
(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 2002 %	30 June 2001 %
Tisand (Pty) Limited	South Africa	Mineral sands mining	**51**	51
Richards Bay Iron and Titanium (Pty) Limited	South Africa	Titanium dioxide, zircon and rutile	**49**	49

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

Associates

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

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest 30 June 2002 %	30 June 2001 %
Minera Alumbrera Limited	Argentina	Copper and gold mining	**25**	25

1 PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND JOINT ARRANGEMENTS continued

Proportionally included joint arrangements

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

Name	Country of incorporation	Principal activity	BHP Billiton Group's effective interest **30 June 2002 %**	30 June 2001 %
Bass Strait	Australia	Hydrocarbons production and exploration	**50**	50
Laminaria	Australia	Hydrocarbons production and exploration	**25-33**	25-33
Griffin	Australia	Hydrocarbons production and exploration	**45**	45
North West Shelf	Australia	Hydrocarbons production and exploration	**8-17**	8-17
Bruce	United Kingdom	Hydrocarbons production and exploration	**16**	16
Keith	United Kingdom	Hydrocarbons production and exploration	**32**	32
Liverpool Bay	United Kingdom	Hydrocarbons production and exploration	**46**	46
Typhoon	US	Hydrocarbons production	**50**	50
West Cameron 76	US	Hydrocarbons exploration	**34**	34-78
Gulf of Mexico	US	Hydrocarbons exploration	**5-100**	5-100
Mamore	Bolivia	Hydrocarbons production	**50**	50
Ohanet	Algeria	Hydrocarbons development	**45**	45
ROD Integrated Development [(a)]	Algeria	Hydrocarbons development	**38.75**	45
Boukhechba	Algeria	Hydrocarbons exploration	**50**	50
Zamzama	Pakistan	Hydrocarbons exploration and development	**38.5**	48
Mt Newman	Australia	Iron ore mining	**85**	85
Mt Goldsworthy	Australia	Iron ore mining	**85**	85
Yandi	Australia	Iron ore mining	**85**	85
Central Queensland Coal Associates	Australia	Coal mining	**50**	50
Gregory	Australia	Coal mining	**50**	50
Ekati™	Canada	Diamond mining	**80**	77
Escondida	Chile	Copper mining	**57.5**	57.5
Worsley	Australia	Bauxite mining and alumina refining	**86**	86
Alumar	Brazil	– Alumina refining	**36**	36
		– Aluminium smelting	**46**	46
Billiton Suriname	Suriname	– Bauxite mining	**76**	76
		– Alumina refining	**45**	45
Valesul Aluminio	Brazil	Aluminium smelting	**45.5**	45.5
Mozal	Mozambique	Aluminium smelting	**47**	47
Middelburg Mine	South Africa	Coal mining	**83**	83
Douglas Colliery	South Africa	Coal mining	**83**	83
Richards Bay Coal Terminal	South Africa	Coal exporting	**37**	40
Rietspruit Mine	South Africa	Coal mining	**50**	50
Wallarah Colliery	Australia	Coal mining	**–**	80

(a) Previously shown as Blocks 401a/402a.

Notes to Financial Statements continued

2 EXCEPTIONAL ITEMS

	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			
South West Copper assets [(a)]	**(171)**	**–**	**(171)**
Reductions in provisions			
Base Metals			
South West Copper closure provisions [(a)]	**70**	**–**	**70**
	(101)	**–**	**(101)**
Exceptional taxation items			
Group and unallocated items			
Change in UK tax rate on petroleum operations [(b)]		**(56)**	**(56)**
		(56)	**(56)**
Other exceptional items			
Suspension of operations			
Base Metals			
Charges associated with suspension of Tintaya sulphide operations [(c)]	**(31)**	**9**	**(22)**
	(31)	**9**	**(22)**
Merger related restructuring costs			
Aluminium	**(4)**	**–**	**(4)**
Base Metals	**(13)**	**1**	**(12)**
Carbon Steel Materials	**(6)**	**1**	**(5)**
Stainless Steel Materials	**(3)**	**–**	**(3)**
Energy Coal	**(5)**	**1**	**(4)**
Diamonds and Specialty Products	**(6)**	**2**	**(4)**
Petroleum	**(4)**	**1**	**(3)**
Group and unallocated items	**(39)**	**9**	**(30)**
	(80)	**15**	**(65)**
Total by category	**(212)**	**(32)**	**(244)**
Exceptional items by Customer Sector Group			
Aluminium	**(4)**	**–**	**(4)**
Base Metals	**(145)**	**10**	**(135)**
Carbon Steel Materials	**(6)**	**1**	**(5)**
Stainless Steel Materials	**(3)**	**–**	**(3)**
Energy Coal	**(5)**	**1**	**(4)**
Diamonds and Specialty Products	**(6)**	**2**	**(4)**
Petroleum	**(4)**	**1**	**(3)**
Group and unallocated items	**(39)**	**(47)**	**(86)**
Total by Customer Sector Group	**(212)**	**(32)**	**(244)**

2 EXCEPTIONAL ITEMS continued

	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 [(d)]	128	–	128
	128	–	128
Termination of operations			
Group and unallocated items			
Ok Tedi copper mine [(e)]	(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 [(f)]		(33)	(33)
		(33)	(33)
Other exceptional items			
Restructuring costs and provisions			
Steel [(g)]	(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 [(h)]	(520)	110	(410)
Energy Coal			
Lakes Mines	(26)	6	(20)
Stainless Steel Materials			
Columbus JV	(114)	30	(84)
	(660)	146	(514)
Sale of expansion rights			
Aluminium			
Mozal II [(i)]	61	(21)	40
	61	(21)	40

Notes to Financial Statements continued

2 EXCEPTIONAL ITEMS continued

	Gross 2001 US$M	Tax 2001 US$M	Net 2001 US$M
Exceptional items by category continued			
Employee share awards accelerated by merger			
Aluminium	(8)	2	(6)
Base Metals	(1)	–	(1)
Carbon Steel Materials	(2)	2	–
Stainless Steel Materials	(9)	1	(8)
Energy Coal	(8)	2	(6)
Diamonds and Specialty Products	(6)	2	(4)
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
Stainless Steel Materials	(123)	31	(92)
Energy Coal	(34)	8	(26)
Diamonds and Specialty Products	(13)	3	(10)
Steel	(22)	7	(15)
Group and unallocated items	(1 067)	98	(969)
Net interest	(6)	–	(6)
Total by Customer Sector Group	(1 094)	132	(962)

	Gross 2000 US$M	Tax 2000 US$M	Net 2000 US$M
Exceptional items by category			
Sale of subsidiaries			
Steel			
US West Coast Steel businesses (g)	(135)	2	(133)
Petroleum			
PNG assets and Bolivia-Brazil pipeline	93	(1)	92
Group and unallocated items			
BHP IT	38	–	38
	(4)	1	(3)
Costs of fundamental reorganisation (j)			
Petroleum	(12)	4	(8)
Steel (g)	(18)	7	(11)
Group and unallocated items	(31)	10	(21)
	(61)	21	(40)

2 EXCEPTIONAL ITEMS continued

	Gross 2000 US$M	Tax 2000 US$M	Net 2000 US$M
Exceptional items by category continued			
Exceptional taxation items			
Group and unallocated items			
Restatement of deferred tax balances on rate change		107	107
Tax benefit on finalisation of funding arrangements		184	184
		291	291
Other exceptional items			
Asset write-offs and provisions			
Carbon Steel Materials			
HBI Western Australia	(695)	210	(485)
	(695)	210	(485)
Total by category	(760)	523	(237)
Exceptional items by Customer Sector Group			
Carbon Steel Materials	(695)	210	(485)
Petroleum	81	3	84
Steel	(153)	9	(144)
Group and unallocated items	7	301	308
Total by Customer Sector Group	(760)	523	(237)

(a) Following a reassessment of the Group's asset disposal and closure plans relating to its South West 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.

(b) 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.

(c) Sulphide operations at Tintaya have 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.

(d) 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.

(e) 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.

(f) 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.

(g) Attributable to discontinued operations. Refer note 3.

(h) 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).

(i) 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.

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

Notes to Financial Statements continued

3 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 demerged from BHP Billiton in October 2000 and the US West Coast steel businesses which were divested in June 2000.

The profit and loss impact of these businesses, as included in the BHP Billiton Group financial statements is detailed below. As the BHP Billiton Group operates treasury and tax functions on a Group basis, disclosure of net interest and tax expense information for the BHP Steel results is not meaningful and has therefore not been included. These businesses comprise the majority of the Steel segment (refer note 4).

	2002 US$M	2001 US$M	2000 US$M
Profit and loss account			
Turnover (including share of joint ventures)	**2 550**	3 214	4 889
less Share of joint ventures turnover included above	**(206)**	(196)	(218)
Group turnover	**2 344**	3 018	4 671
Net operating costs (a)	**(2 285)**	(2 807)	(4 307)
Group operating profit	**59**	211	364
Share of operating profit of joint ventures	**11**	2	28
Operating profit (including share of profit of joint ventures)	**70**	213	392
Income from other fixed asset investments	**1**	4	3
Profit on sale of fixed assets	**15**	1	1
Loss on sale of subsidiaries (b)	**–**	–	(135)
Costs of fundamental reorganisation (c)	**–**	–	(18)
Profit before net interest and taxation	**86**	218	243

(a) There were no exceptional items included within operating costs for 2002 and 2000. Included within operating costs for 2001 is a charge of US$22 million (before tax) relating to restructuring costs and provisions. Refer note 2.
(b) The loss on sale of subsidiaries for 2000 represents the exceptional loss on disposal of the US West Coast Steel businesses of US$135 million (before tax). Refer note 2.
(c) Refer note 2.

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 (which have been recorded in July 2002) is:

- The BHP Billiton Group's capital was reduced by approximately US$1 501 million, including approximately US$19 million of costs directly associated with the demerger;
- A cash inflow of approximately US$369 million, representing net US$294 million from the settlement by BHP Steel of intercompany loans, together with US$75 million from the sale of the 6 per cent of BHP Steel; and
- A loss of approximately US$19 million (no tax effect) relating to the sale of the 6 per cent of BHP Steel.

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. The Company supplies customers in Australia, New Zealand, Asia, the US, Europe, the Middle East and the Pacific. Key steelmaking assets are the low-cost global scale Port Kembla Steelworks (Australia), BHP New Zealand Steel and North Star BHP Steel (USA). 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 is provided below. In addition, the estimated net assets demerged in July 2002 are provided, after allowing for the settlement of intercompany loans by BHP Steel to the BHP Billiton Group. The 2001 balance sheet presented below represents a comparable basis by which to evaluate the effect of the BHP Steel demerger on the balance sheet of the BHP Billiton Group as the OneSteel spin-out and the sale of the US West Coast steel businesses were completed prior to 30 June 2001.

3 DISCONTINUED OPERATIONS continued

	2002 US$M	2001 US$M
Balance sheet		
Tangible assets	**1 881**	1 718
Investments	**91**	89
Current assets	**759**	741
Creditors falling due within one year	**(345)**	(281)
Creditors falling due after more than one year and provisions	**(495)**	(460)
	1 891	1 807
Equity minority interests	**(21)**	(14)
Attributable net assets	**1 870**	1 793
Net payments to the BHP Billiton Group by BHP Steel to settle intercompany loans (post 30 June 2002)	**(294)**	
Estimated attributable net assets of BHP Steel to be demerged	**1 576**	

4 ANALYSIS BY BUSINESS SEGMENT

	External turnover			Intersegment turnover			Profit before tax			Net operating assets (refer note 6)		
	2002 US$M	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M
Group including joint ventures and associates												
Aluminium	**2 857**	2 971	2 357	**–**	–	–	**492**	523	438	**4 727**	4 730	3 216
Base Metals (a)	**1 821**	1 719	1 933	**–**	–	–	**200**	462	465	**4 077**	3 795	1 762
Carbon Steel Materials	**3 140**	3 165	2 611	**166**	184	215	**1 084**	918	548	**2 573**	2 387	2 936
Stainless Steel Materials (b)	**868**	994	1 156	**–**	–	–	**3**	72	204	**1 663**	1 736	1 747
Energy Coal	**1 919**	1 982	1 597	**–**	–	–	**536**	382	137	**2 092**	1 986	1 665
Diamonds and Specialty Products (b)	**1 474**	1 313	493	**6**	5	7	**272**	188	167	**1 620**	1 488	725
Petroleum	**2 780**	3 340	2 963	**35**	21	8	**1 073**	1 407	1 061	**2 865**	2 504	2 796
Steel (c)	**2 643**	3 427	5 080	**142**	333	313	**101**	270	402	**2 133**	2 130	3 913
Group and unallocated items (b)	**276**	168	212	**219**	41	117	**(573)**	(595)	(395)	**644**	956	1 515
Exceptional items							**(212)**	(1 088)	(760)			
							2 976	2 539	2 267			
Net interest							**(249)**	(476)	(489)			
	17 778	19 079	18 402	**568**	584	660	**2 727**	2 063	1 778	**22 394**	21 712	20 275

Notes to Financial Statements continued

4 ANALYSIS BY BUSINESS SEGMENT continued

	External turnover			Intersegment turnover			Profit before tax			Net operating assets (refer note 6)		
	2002 US$M	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M
Joint ventures and associates (d)												
Aluminium	**40**	32	34	**–**	–	–	**–**	1	1	**–**	4	4
Base Metals (a)	**424**	90	6	**–**	–	–	**56**	25	–	**1 062**	1 122	–
Carbon Steel Materials	**244**	438	222	**–**	–	–	**75**	109	60	**334**	355	399
Stainless Steel Materials (b)	**80**	162	215	**–**	–	–	**(3)**	(11)	4	**3**	140	282
Energy Coal	**129**	83	–	**–**	–	–	**35**	16	–	**646**	393	–
Diamonds and Specialty Products (b)	**749**	269	276	**–**	–	–	**165**	162	155	**674**	296	309
Petroleum	**–**	–	–	**–**	–	–	**–**	–	–	**25**	–	–
Steel (c) (e)	**206**	196	218	**–**	–	–	**12**	2	28	**172**	245	278
Group and unallocated items (b)	**–**	20	16	**–**	–	–	**–**	(23)	(9)	**–**	–	414
Exceptional items							**–**	(634)	–			
							340	(353)	239			
Net interest							**(37)**	(63)	(43)			
	1 872	1 290	987	**–**	–	–	**303**	(416)	196	**2 916**	2 555	1 686

	Turnover			Profit before tax		
	2002 US$M	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M
Trading activities included above (f)						
Aluminium	**1 006**	1 014	687	**13**	14	21
Base Metals	**24**	13	97	**–**	–	(3)
Carbon Steel Materials	**22**	40	–	**3**	1	–
Stainless Steel Materials	**9**	6	–	**1**	–	–
Energy Coal	**108**	100	–	**4**	6	–
Diamonds and Specialty Products (b)	**823**	797	–	**9**	23	–
	1 992	1 970	784	**30**	44	18

(a) Includes turnover attributable to associates of US$126 million (2001: US$44 million; 2000: US$nil), operating profit attributable to associates of US$32 million (2001: US$22 million; 2000: US$nil) and net operating assets attributable to associates of US$223 million (2001: US$273 million; 2000: US$nil).

(b) A new segment, Diamonds and Specialty Products, has been created encompassing Diamonds, Titanium Minerals, Integris (metals distribution) and Exploration & Technology. This new segment reflects 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 have been included in Group and Unallocated Items. In addition, HBI Venezuela and Ok Tedi, previously reported in Carbon Steel Materials and Base Metals, respectively, are now included in Group and Unallocated Items and Columbus Stainless Steel, previously reported in Other Activities, now included in Stainless Steel Materials. Comparatives have been restated accordingly.

(c) The financial information presented as the Steel segment represents substantially all of the BHP Steel businesses to be demerged. Amounts not attributable to BHP Steel represent Transport and Logistics, until 31 December 2001, and certain residual steel assets and liabilities that will not be included as part of the BHP Steel businesses to be demerged. Refer note 3.

(d) Turnover attributable to acquisitions of joint ventures and associates (excluding increased ownership interests) was US$nil (2001: US$173 million; 2000: US$nil). Profit before tax attributable to acquisitions of joint ventures and associates was US$nil (2001: US$41 million; 2000: US$nil). In addition, Integris (metals distribution) is now included in joint ventures and associates (refer note 26).

(e) All Steel joint ventures and associates are attributable to the BHP Steel businesses to be discontinued. Refer note 3.

(f) Trading activities comprise the sale of third party product.

5 ANALYSIS BY GEOGRAPHICAL SEGMENT

	Group			Joint ventures and associates			Total		
	2002 US$M	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M
Analysis by geographical market									
Turnover									
Continuing operations									
Australia	**1 613**	1 432	1 217	**5**	2	3	**1 618**	1 434	1 220
Europe	**3 929**	3 810	2 927	**366**	329	203	**4 295**	4 139	3 130
Japan	**1 941**	2 411	2 219	**137**	120	51	**2 078**	2 531	2 270
South Korea	**1 002**	842	938	**66**	64	16	**1 068**	906	954
Other Asia	**1 634**	1 687	1 604	**196**	170	87	**1 830**	1 857	1 691
North America	**1 575**	2 363	1 742	**769**	240	252	**2 344**	2 603	1 994
Southern Africa	**1 193**	1 099	1 250	**46**	60	87	**1 239**	1 159	1 337
Rest of World	**675**	1 127	847	**81**	109	70	**756**	1 236	917
Total from continuing operations	**13 562**	14 771	12 744	**1 666**	1 094	769	**15 228**	15 865	13 513
Discontinued operations									
Australia	**1 339**	1 657	2 858	**–**	–	–	**1 339**	1 657	2 858
Europe	**112**	163	161	**–**	–	–	**112**	163	161
Japan	**17**	34	49	**–**	–	–	**17**	34	49
South Korea	**42**	70	67	**–**	–	–	**42**	70	67
Other Asia	**328**	460	392	**–**	–	–	**328**	460	392
North America	**185**	258	650	**206**	196	218	**391**	454	868
Rest of World	**321**	376	494	**–**	–	–	**321**	376	494
Total from discontinued operations (a)	**2 344**	3 018	4 671	**206**	196	218	**2 550**	3 214	4 889
Total by geographical market	**15 906**	17 789	17 415	**1 872**	1 290	987	**17 778**	19 079	18 402
Analysis by geographical origin									
Turnover									
Continuing operations									
Australia (b)	**5 792**	5 676	4 887	**50**	178	–	**5 842**	5 854	4 887
Europe (c)	**2 049**	1 907	1 147	**–**	–	–	**2 049**	1 907	1 147
North America	**1 475**	1 804	1 230	**668**	105	34	**2 143**	1 909	1 264
South America (d)	**1 648**	1 980	1 868	**607**	370	210	**2 255**	2 350	2 078
Southern Africa	**2 355**	2 666	2 794	**341**	441	525	**2 696**	3 107	3 319
Rest of World	**243**	738	818	**–**	–	–	**243**	738	818
Total from continuing operations	**13 562**	14 771	12 744	**1 666**	1 094	769	**15 228**	15 865	13 513
Discontinued operations									
Australia (b)	**1 887**	2 400	3 612	**–**	–	–	**1 887**	2 400	3 612
Europe	**31**	80	–	**–**	–	–	**31**	80	–
North America	**2**	21	393	**206**	196	218	**208**	217	611
Rest of World	**424**	517	666	**–**	–	–	**424**	517	666
Total from discontinued operations (a)	**2 344**	3 018	4 671	**206**	196	218	**2 550**	3 214	4 889
Total by geographical origin	**15 906**	17 789	17 415	**1 872**	1 290	987	**17 778**	19 079	18 402

Notes to Financial Statements continued

5 ANALYSIS BY GEOGRAPHICAL SEGMENT continued

	Group			Joint ventures and associates			Total		
	2002 US$M	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M	**2002 US$M**	2001 US$M	2000 US$M
Profit before tax									
Continuing operations									
Australia	**1 628**	1 753	447	**27**	(297)	–	**1 655**	1 456	447
Europe	**127**	191	264	**–**	–	1	**127**	191	265
North America	**16**	124	133	**6**	3	–	**22**	127	133
South America (d)	**158**	543	595	**143**	(99)	49	**301**	444	644
Southern Africa	**559**	460	322	**153**	38	161	**712**	498	483
Rest of World	**73**	(395)	52	**–**	–	–	**73**	(395)	52
Total from continuing operations	**2 561**	2 676	1 813	**329**	(355)	211	**2 890**	2 321	2 024
Discontinued operations									
Australia	**25**	163	253	**–**	–	–	**25**	163	253
Europe	**3**	3	3	**–**	–	–	**3**	3	3
North America	**10**	(12)	(93)	**11**	2	28	**21**	(10)	(65)
Rest of World	**37**	62	52	**–**	–	–	**37**	62	52
Total from discontinued operations (a)	**75**	216	215	**11**	2	28	**86**	218	243
Net interest	**(212)**	(413)	(446)	**(37)**	(63)	(43)	**(249)**	(476)	(489)
Total by geographical origin	**2 424**	2 479	1 582	**303**	(416)	196	**2 727**	2 063	1 778
Net operating assets (refer note 6)									
Continuing operations									
Australia	**6 578**	6 654	6 521	**3**	–	–	**6 581**	6 654	6 521
Europe	**621**	731	727	**–**	–	–	**621**	731	727
North America	**1 122**	1 245	279	**520**	158	4	**1 642**	1 403	283
South America (d)	**4 909**	4 482	3 120	**1 896**	1 685	780	**6 805**	6 167	3 900
Southern Africa	**3 804**	3 844	3 859	**325**	467	624	**4 129**	4 311	4 483
Rest of World	**368**	332	750	**–**	–	–	**368**	332	750
Total from continuing operations	**17 402**	17 288	15 256	**2 744**	2 310	1 408	**20 146**	19 598	16 664
Discontinued operations									
Australia	**1 572**	1 346	2 645	**–**	–	–	**1 572**	1 346	2 645
Europe	**2**	3	–	**–**	–	–	**2**	3	–
North America	**–**	51	75	**172**	245	278	**172**	296	353
Southern Africa	**5**	–	–	**–**	–	–	**5**	–	–
Rest of World	**497**	469	613	**–**	–	–	**497**	469	613
Total from discontinued operations (a)	**2 076**	1 869	3 333	**172**	245	278	**2 248**	2 114	3 611
Total by geographical origin	**19 478**	19 157	18 589	**2 916**	2 555	1 686	**22 394**	21 712	20 275

Turnover derived from intersegment transactions is immaterial.

(a) Refer note 3.
(b) Export sales from Australia amounting to US$4 774 million, US$4 998 million and US$4 501 million are included in Australia for 2002, 2001 and 2000 respectively. Approximately 26 per cent, 25 per cent and 25 per cent of such sales during 2002, 2001 and 2000, respectively, were to customers in Japan.
(c) Export sales from the UK amounting to US$501 million, US$507 million and US$403 million are included in Europe for 2002, 2001 and 2000 respectively. None of these sales were to customers in Japan.
(d) Includes turnover attributable to associates of US$126 million (2001: US$44 million; 2000: US$nil), operating profit attributable to associates of US$32 million (2001: US$22 million; 2000: US$nil) and net operating assets attributable to associates of US$223 million (2001: US$273 million; 2000: US$nil).

6 RECONCILIATION OF NET OPERATING ASSETS

	Group		Joint ventures and associates		Total	
	2002 US$M	2001 US$M	**2002 US$M**	2001 US$M	**2002 US$M**	2001 US$M
Net operating assets (refer notes 4 and 5)	**19 478**	19 157	**2 916**	2 555	**22 394**	21 712
Cash, including money market deposits	**1 499**	1 285	**136**	60	**1 635**	1 345
Debt	**(8 321)**	(8 606)	**(909)**	(980)	**(9 230)**	(9 586)
Corporation tax	**(526)**	(359)	**(29)**	(12)	**(555)**	(371)
Dividends payable	**(402)**	(421)	**–**	–	**(402)**	(421)
Deferred tax	**(1 107)**	(881)	**(73)**	(116)	**(1 180)**	(997)
Tax recoverable	**20**	38	**–**	–	**20**	38
Shareholder loans	**488**	438	**(488)**	(438)	**–**	–
Net assets	**11 129**	10 651	**1 553**	1 069	**12 682**	11 720

Notes to Financial Statements continued

7 NET OPERATING COSTS

	2002 US$M	2001 US$M	2000 US$M
Change in stocks of finished goods and work in progress	**(99)**	(37)	30
Raw materials and consumables	**3 240**	2 521	2 403
Staff costs	**2 035**	2 115	2 269
Amortisation of goodwill and negative goodwill	**3**	6	10
Depreciation of tangible fixed assets	**1 724**	1 666	1 738
Impairment charge	**119**	34	695
Loss on sale of fixed assets and joint ventures	**–**	21	2
Other operating income	**(163)**	(206)	(156)
Other operating charges	**6 444**	8 491	8 481
Group (a)	**13 303**	14 611	15 472
Joint ventures and associates	**1 532**	1 643	748
Operating costs including joint ventures and associates	**14 835**	16 254	16 220
Other operating charges include the following:			
Operating lease charges:			
Land and buildings	**24**	49	59
Plant and equipment	**79**	158	107
Other lease charges	**125**	96	11
	228	303	177
Audit fees payable by the BHP Billiton Group to:			
Joint auditors of BHP Billiton Plc (including overseas firms)	**6**	5	3
Other audit firms	**4**	3	4
	10	8	7
Fees payable by the BHP Billiton Group to auditors for other services (b)			
Joint auditors of BHP Billiton Plc (including overseas firms) (c)			
Information systems design and implementation	**6**	–	–
Other services	**9**	20	10
Other audit firms			
Other services	**4**	6	3
	19	26	13

(a) Includes net operating costs attributable to discontinued operations as follows:

	2002 US$M	2001 US$M	2000 US$M
Change in stocks of finished goods and work in progress	**3**	–	5
Raw materials and consumables	**946**	1 162	1 783
Staff costs	**506**	622	954
Amortisation of goodwill	**–**	3	3
Depreciation of tangible fixed assets	**132**	159	269
Other operating charges	**698**	861	1 293
	2 285	2 807	4 307

(b) Includes fees paid to all audit firms of the BHP Billiton Group including accounting advice, tax compliance services, expatriate taxation services, IT services and internal audit services. Some of these arrangements involved provision of services by BHP Billiton Plc's auditors to BHP Billiton Limited and vice versa which were entered into before the DLC merger and continued during 2002 pending the outcome of the audit tender. The BHP Billiton Group has subsequently approved a policy governing other services provided by the Group's auditors which precludes the provision of certain services.

(c) The amounts paid to the UK firms and their associates amounted to US$3 million (2001: US$14 million; 2000: US$2 million).

8 NET INTEREST AND SIMILAR ITEMS (PAYABLE)/RECEIVABLE

	2002 US$M	2001 US$M	2000 US$M
On bank loans and overdrafts	**(161)**	(236)	(238)
On all other loans	**(311)**	(339)	(324)
Finance lease and hire purchase interest	**(5)**	(9)	(8)
	(477)	(584)	(570)
Dividends on redeemable preference shares	**(39)**	(83)	(92)
Discounting on provisions (refer note 21)	**(42)**	(39)	(32)
less Amounts capitalised [(a)]	**58**	39	65
	(500)	(667)	(629)
Share of interest of joint ventures and associates	**(71)**	(94)	(59)
	(571)	(761)	(688)
Interest received/receivable	**142**	136	105
	(429)	(625)	(583)
Exchange differences on net debt [(b)] [(c)]			
Group	**146**	118	78
Joint ventures and associates	**34**	31	16
	180	149	94
Net interest and similar items payable [(d)]	**(249)**	(476)	(489)

(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 2002 the capitalisation rate was 5.5 per cent.
(b) Net exchange gains primarily represent the effect on borrowings of the depreciation of the rand against the US dollar.
(c) Cumulative unrealised exchange gains of US$269 million have been recognised at 30 June 2002 (2001: US$383 million; 2000: US$309 million).
(d) Disclosed in the consolidated profit and loss account as:

	2002 US$M	2001 US$M	2000 US$M
Net interest and similar items payable			
Group	**(212)**	(413)	(446)
Joint ventures and associates	**(37)**	(63)	(43)
Net interest and similar items payable	**(249)**	(476)	(489)

Notes to Financial Statements continued

9 EMPLOYEES

	2002 Number	2001 Number	2000 Number
The average number of employees, which excludes joint ventures' and associates' employees and includes Executive Directors, during the period was as follows:			
Aluminium	**5 246**	5 045	4 615
Base Metals	**4 580**	3 456	2 472
Carbon Steel Materials	**6 380**	6 232	8 442
Stainless Steel Materials	**5 451**	5 861	6 831
Energy Coal	**10 373**	12 952	15 614
Diamonds and Specialty Products	**1 754**	2 685	896
Petroleum	**1 770**	1 744	1 877
Steel (refer note 3)	**12 269**	16 627	23 642
Group and unallocated items	**3 214**	4 351	5 102
	51 037	58 953	69 491

	2002 US$M	2001 US$M	2000 US$M
The aggregate payroll expenses of those employees was as follows:			
Wages, salaries and redundancies	**1 843**	1 903	2 078
Employee share awards	**28**	46	10
Social security costs	**28**	34	17
Pension and other post-retirement benefit costs (refer note 28)	**136**	132	164
	2 035	2 115	2 269

10 TAXATION

	2002 US$M	2001 US$M	2000 US$M
Analysis of charge in the period			
UK taxation			
Corporation tax at 30% [(a)]			
Current	**165**	223	230
Deferred	**16**	(17)	(68)
less Double taxation relief	**(92)**	(127)	(100)
	89	79	62
Australian taxation			
Corporation tax at 30% (2001: 34%; 2000: 36%)			
Current	**235**	299	301
Deferred	**225**	66	(385)
	460	365	(84)
South African taxation			
Corporation tax at 30%			
Current	**228**	110	81
Deferred	**(120)**	(40)	(25)
	108	70	56
Other overseas taxation			
Current	**99**	227	92
Deferred	**108**	(28)	41
	207	199	133
Share of joint ventures' tax charge			
Current	**93**	80	55
Deferred	**(11)**	(31)	4
	82	49	59
Share of associates' current tax charge	**(4)**	3	–
Withholding tax and secondary taxes on companies	**48**	46	24
Other taxation	**–**	–	1
	990	811	251
Made up of:			
Aggregate current tax			
Group	**683**	778	629
Joint ventures and associates	**89**	83	55
	772	861	684
Aggregate deferred tax			
Group	**229**	(19)	(437)
Joint ventures and associates	**(11)**	(31)	4
	218	(50)	(433)
	990	811	251

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

Notes to Financial Statements continued

10 TAXATION continued

	2002 US$M	2001 US$M	2000 US$M
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	**2 727**	2 063	1 778
Tax on profit at UK rate of 30%	**818**	619	533
Permanent differences			
Investment and development allowance	**(10)**	(19)	(29)
Amounts over provided in prior years	**(23)**	5	(83)
Recognition of prior year tax losses	**(103)**	(133)	(99)
Non-deductible accounting depreciation and amortisation	**54**	32	31
Non-deductible dividends on redeemable preference shares	**13**	24	30
Non tax-effected operating losses	**69**	47	16
Tax rate differential on non-UK income	**(1)**	57	(4)
Non tax-effected capital gains	**(12)**	(63)	(12)
Foreign expenditure including exploration not presently deductible	**16**	57	41
South African secondary tax on companies	**48**	46	24
Foreign exchange gains and other translation adjustments	**(2)**	(113)	(11)
Non-deductible merger transaction costs	**–**	28	–
Tax rate changes	**59**	(22)	(119)
Investment and asset impairments	**32**	176	33
Finalisation of funding arrangements	**–**	–	(153)
Other	**32**	70	53
Total permanent differences	**172**	192	(282)
Deferred tax movements taken to the profit and loss account			
Capital allowances for the period (more)/less than depreciation	**(176)**	79	25
Exploration expenditure	**(114)**	28	157
Employee entitlements	**(29)**	(72)	(60)
Restoration and rehabilitation	**4**	(32)	(12)
Resource rent tax	**17**	19	(4)
Deferred income	**–**	(16)	22
Other provisions	**(77)**	(10)	(1)
Foreign exchange losses/(gains)	**(5)**	24	(75)
Foreign tax	**(39)**	41	56
Tax losses	**48**	(228)	355
Other	**153**	217	(30)
Total timing differences	**(218)**	50	433
Current tax charge for period	**772**	861	684
Add/(less) Deferred tax movements taken to the profit and loss account	**218**	(50)	(433)
Tax on profit on ordinary activities	**990**	811	251

10 TAXATION continued

	2002 US$M	2001 US$M
Provision for deferred tax		
Future income tax benefit at period end comprises:		
Timing differences		
Depreciation	**(14)**	(24)
Exploration expenditure	**48**	128
Employee entitlements	**19**	26
Restoration and rehabilitation	**48**	38
Resource rent tax	**90**	85
Other provisions	**2**	21
Foreign exchange losses	**59**	83
Profit in stocks elimination	**8**	5
Other	**87**	5
Tax-effected losses	**133**	92
Total future income tax benefit	**480**	459
Provision for deferred tax at period end comprises:		
Accelerated capital allowances	**1 641**	1 470
Exploration expenditure	**23**	(8)
Employee entitlements	**(36)**	(55)
Restoration and rehabilitation	**(49)**	(54)
Resource rent tax	**(31)**	(20)
Deferred income	**(98)**	(98)
Other provisions	**–**	(23)
Foreign exchange losses/(gains)	**(17)**	–
Deferred charges	**42**	44
Foreign tax	**128**	89
Other	**32**	53
Tax-effected losses	**(48)**	(58)
Total provision for deferred tax	**1 587**	1 340
Net provision for deferred tax	**1 107**	881
Provision at start of period	**881**	901
(Disposals)/Acquisitions of subsidiaries	**(21)**	27
Exchange differences	**18**	(28)
Deferred tax charge in profit and loss account for period	**229**	(19)
Net provision at end of period	**1 107**	881
This provision is included within		
Debtors (refer note 17)	**480**	459
Provisions for liabilities and charges (refer note 21)	**(1 587)**	(1 340)
	(1 107)	(881)

Notes to Financial Statements continued

10 TAXATION continued

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 2002, the BHP Billiton Group has not recognised potential tax expense of 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 retain 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.

Tax losses

At 30 June 2002, the BHP Billiton Group has ordinary tax losses and capital losses of approximately US$2.3 billion, which have not been tax effected. The BHP Billiton Group anticipates benefits from the recognition of losses in future periods to the extent of income or gains in relevant jurisdictions. 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				
2003	–	–	2	**2**
2004	–	–	3	**3**
2005	–	–	2	**2**
2006	–	–	2	**2**
2007	–	–	2	**2**
2009	–	–	40	**40**
2010	–	–	2	**2**
2011	–	–	45	**45**
2012	–	–	97	**97**
2013	–	–	33	**33**
2019	–	–	211	**211**
2020	–	–	392	**392**
2021	–	–	411	**411**
2022	–	–	102	**102**
Unlimited	85	11	399	**495**
Capital tax losses				
2005	–	–	154	**154**
Unlimited	334	10	–	**344**
	419	21	1 897	**2 337**

At 30 June 2002, tax losses carried forward for the BHP Billiton Group include income tax losses of US$374 million and capital tax losses of US$nil related to BHP Steel which have not been tax-effected.

11 DIVIDENDS

	2002 US$M	2001 US$M	2000 US$M
BHP Billiton Plc			
Dividends declared (a) (b)	**150**	186	154
Dividends paid			
Ordinary shares (c)	**151**	92	78
Preference shares (d)	**–**	–	–
	301	278	232
BHP Billiton Limited (e)			
Dividends declared (a) (f)	**242**	245	275
Dividends paid (g)	**241**	231	281
	483	476	556
Total dividends paid or payable	**784**	754	788

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) Dividends declared on 3 May 2002 and payable at 30 June 2002 were paid on 3 July 2002.
(b) Declared final dividend of 6.5 US cents per share (2001: 8.0 US cents per share; 2000: 7.5 US cents per share).
(c) Interim dividend paid of 6.5 US cents per share (2001: 4.0 US cents per share; 2000: 3.75 US cents).
(d) 5.5 per cent dividend on 50 000 preference shares of £1 each (2001: 5.5 per cent; 2000: 5.5 per cent).
(e) Dividends per American Depositary Share (ADS) (as declared) for 2002 were 26.0 US cents per share (2001: 49.4 Australian cents; 2000: 49.4 Australian cents).
(f) Declared final dividend of 6.5 US cents fully franked per share (2001: 12.6 Australian cents per share fully franked; 2000: 12.6 Australian cents unfranked per share).
(g) Interim dividend paid of 6.5 US cents fully franked per share (2001: 12.1 Australian cents unfranked per share; 2000: 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

	2002	2001	2000
Basic earnings per share (US cents)			
Excluding exceptional items	**32.1**	36.8	30.4
Impact of exceptional items	**(4.1)**	(11.1)	(4.1)
Including exceptional items	**28.0**	25.7	26.3
Diluted earnings per share (US cents)			
Excluding exceptional items	**32.1**	36.6	30.4
Impact of exceptional items	**(4.1)**	(11.0)	(4.1)
Including exceptional items	**28.0**	25.6	26.3
Earnings (US$million)			
Excluding exceptional items	**1 934**	2 189	1 743
Including exceptional items	**1 690**	1 529	1 506
Weighted average number of shares (millions)			
Basic earnings per share denominator	**6 029**	5 944	5 725
Diluted earnings per share denominator	**6 042**	5 973	5 736

The exceptional items that have the greatest impact on basic earnings per share comprise the impairment of HBI Venezuela (decrease of 6.9 US cents in 2001), the exit from the Ok Tedi copper mine (decrease of 2.6 US cents in 2001) and the impairment of HBI Western Australia (decrease of 8.5 US cents in 2000). All other exceptional items (which are individually disclosed in note 2) decrease basic earnings per share by 4.1 US cents in 2002 (2001: decrease of 1.6 US cents; 2000 increase of 4.4 US cents).

The Directors present earnings per share data based on earnings excluding exceptional items as this is a less volatile measure of the performance of the BHP Billiton Group.

Under the terms of the DLC merger, the rights to dividends of a holder of an ordinary share in BHP Billiton Plc and a holder of an ordinary share in BHP Billiton Limited are identical. Consequently, earnings per share has been calculated on the basis of the aggregate number of ordinary shares ranking for dividend. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the share repurchase scheme and the Billiton Employee Share Ownership Trust and adjusting for the BHP Billiton Limited bonus issue 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	**2002 Million**	2001 Million	2000 Million
Basic earnings per share denominator	**6 029**	5 944	5 725
BHP Billiton Limited options	**11**	12	6
BHP Billiton Limited partly paid shares	**2**	3	5
BHP Billiton Plc executive share awards	**–**	14	–
Diluted earnings per share denominator	**6 042**	5 973	5 736

13 INTANGIBLE FIXED ASSETS

	Goodwill 2002 US$M	**Negative goodwill 2002 US$M**	**Total 2002 US$M**	Goodwill 2001 US$M	Negative goodwill 2001 US$M	Total 2001 US$M
Cost						
At beginning of year	**114**	**(46)**	**68**	220	(60)	160
Additions	**–**	**–**	**–**	51	–	51
Disposals	**(13)**	**–**	**(13)**	(136)	14	(122)
Other movements [(a)]	**(38)**	**–**	**(38)**	–	–	–
Exchange variations	**–**	**–**	**–**	(21)	–	(21)
At end of year	**63**	**(46)**	**17**	114	(46)	68
Amortisation						
At beginning of year	**19**	**(10)**	**9**	93	(7)	86
Amortisation for year	**6**	**(3)**	**3**	9	(3)	6
Disposals	**(4)**	**–**	**(4)**	(72)	–	(72)
Exchange variations	**–**	**–**	**–**	(11)	–	(11)
At end of year	**21**	**(13)**	**8**	19	(10)	9
Net book value at end of year	**42**	**(33)**	**9**	95	(36)	59
Net book value at beginning of year	**95**	**(36)**	**59**	127	(53)	74

[(a)] Refer note 26.

Notes to Financial Statements continued

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 US$M	Total US$M
Cost or valuation						
At 1 July 2001	**2 562**	**25 468**	**5 661**	**725**	**432**	**34 848**
Additions	**65**	**1 915**	**103**	**771**	**148**	**3 002**
Disposals	**(58)**	**(347)**	**(19)**	**–**	**(4)**	**(428)**
Disposals of subsidiaries	**(59)**	**(357)**	**–**	**–**	**–**	**(416)**
Exchange variations	**33**	**531**	**3**	**4**	**1**	**572**
Transfers and other movements	**(66)**	**808**	**(427)**	**(57)**	**(176)**	**82**
At 30 June 2002	**2 477**	**28 018**	**5 321**	**1 443**	**401**	**37 660**
Depreciation						
At 1 July 2001	**1 074**	**12 707**	**1 517**	**210**	**109**	**15 617**
Charge for the year (including impairments)	**97**	**1 646**	**171**	**17**	**50**	**1 981**
Disposals	**(25)**	**(201)**	**(11)**	**–**	**(4)**	**(241)**
Disposals of subsidiaries	**(2)**	**(172)**	**–**	**–**	**–**	**(174)**
Exchange variations	**17**	**278**	**7**	**(5)**	**1**	**298**
Transfers and other movements	**18**	**127**	**(115)**	**(5)**	**(25)**	**–**
At 30 June 2002	**1 179**	**14 385**	**1 569**	**217**	**131**	**17 481**
Net book value at 30 June 2002	**1 298**	**13 633**	**3 752**	**1 226**	**270**	**20 179**
Cost or valuation						
At 1 July 2000	2 645	25 753	3 896	1 232	391	33 917
Additions	78	1 856	981	379	109	3 403
On acquisition of subsidiaries	135	482	924	4	1	1 546
Disposals	(33)	(514)	(46)	(1)	(3)	(597)
Disposals of businesses	(207)	(820)	(4)	–	–	(1 031)
Exchange variations	(226)	(2 063)	(99)	(19)	(16)	(2 423)
Transfers and other movements	170	774	9	(870)	(50)	33
At 30 June 2001	2 562	25 468	5 661	725	432	34 848
Depreciation						
At 1 July 2000	965	12 590	1 475	213	94	15 337
Charge for the year (including impairments)	202	1 750	129	–	49	2 130
Disposals	(8)	(444)	(23)	–	–	(475)
Disposals of businesses	(43)	(237)	–	–	–	(280)
Exchange variations	(92)	(920)	(70)	(3)	(10)	(1 095)
Transfers and other movements	50	(32)	6	–	(24)	–
At 30 June 2001	1 074	12 707	1 517	210	109	15 617
Net book value at 30 June 2001	1 488	12 761	4 144	515	323	19 231

14 TANGIBLE FIXED ASSETS continued

Included within the net book value of other mineral assets is US$530 million (2001: US$448 million) of deferred overburden removal costs.

Included within the amounts above are assets held under finance leases with a net book value of US$65 million at 30 June 2002 (2001: US$79 million). Depreciation charged on these assets during the year ended 30 June 2002 totalled US$9 million (2001: US$12 million; 2000: US$9 million).

Included within the amounts set out above are assets with a net book value of US$844 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$781 million. The additional depreciation charge attributable to the revaluation for 2002 is US$5 million (2001: US$5 million; 2000: US$6 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 2002	**1 203**	**95**	**1 298**
At 30 June 2001	1 378	110	1 488

Non-depreciated assets

Included within land and buildings, other mineral assets and exploration at 30 June 2002 is freehold land and mineral rights (undeveloped or under development) which are not currently depreciated, with a net book value of US$594 million (2001: US$568 million).

Cumulative capitalised interest

Included within plant and machinery and other mining assets at 30 June 2002 is capitalised interest with a net book value of US$352 million (2001: US$309 million).

Notes to Financial Statements continued

15 FIXED ASSET INVESTMENTS

	Investment in joint ventures US$M	Investment in associates US$M	Loans to joint ventures US$M	Loans to associates US$M	Own shares[a] US$M	Other fixed asset investments[b] US$M	Total US$M
At 1 July 2001	**1 011**	**58**	**371**	**67**	**–**	**473**	**1 980**
Group share of profits less losses	**198**	**27**	**–**	**–**	**–**	**–**	**225**
Charge for year	**(1)**	**–**	**–**	**–**	**–**	**(15)**	**(16)**
Additions	**389**	**–**	**285**	**–**	**3**	**78**	**755**
Disposals	**181**	**–**	**(346)**	**–**	**–**	**(42)**	**(207)**
On acquisition of subsidiaries	**(55)**	**–**	**–**	**–**	**–**	**(10)**	**(65)**
Exchange variations	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Dividends received	**(149)**	**–**	**–**	**–**	**–**	**–**	**(149)**
Transfers	**(106)**	**–**	**111**	**–**	**–**	**11**	**16**
At 30 June 2002	**1 468**	**85**	**421**	**67**	**3**	**496**	**2 540**
At 1 July 2000	531	–	262	–	21	290	1 104
HBI Venezuela guarantee	–	–	310	–	–	–	310
Group share of profits less losses	(170)	12	(310)	–	–	–	(468)
Charge for year	–	–	–	–	(46)	(7)	(53)
Additions	572	–	118	–	25	353	1 068
Disposals	(237)	–	(9)	–	–	(136)	(382)
On acquisition of subsidiaries	443	46	–	67	–	26	582
Exchange variations	(12)	–	–	–	–	(28)	(40)
Dividends received	(166)	–	–	–	–	–	(166)
Transfers	50	–	–	–	–	(25)	25
At 30 June 2001	1 011	58	371	67	–	473	1 980

	2002 US$M	2001 US$M
The BHP Billiton Group's share of net assets of joint ventures can be analysed as follows:		
Share of fixed assets	**2 152**	2 340
Share of current assets	**750**	476
Share of liabilities due within one year	**(576)**	(346)
Share of liabilities due after more than one year	**(858)**	(1 459)
Share of net assets	**1 468**	1 011

(a) Own shares comprised the shares of BHP Billiton Plc held by the Billiton Employee Share Ownership Trust (refer note 23 for a description of the Trust). At 30 June 2002, 659 882 shares (2001: nil) were held by the Trust with a market value at that date of US$3 million (2001: US$nil). At 30 June 2000, 10 695 741 shares were held by the Trust with a market value at that date of US$45 million. Following completion of the DLC merger, vesting of all of the shares in the trust was unconditional at 30 June 2001. The Trust received dividends on the shares held.

(b) 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$nil at 30 June 2002 (2001: US$nil) in the table above and a market value of US$11 million (2001: US$5 million). Other listed investments had a book value of US$69 million (2001: US$4 million) and a market value of US$82 million (2001: US$5 million).

16 STOCKS

	2002 US$M	2001 US$M
Raw materials and consumables	**349**	466
Work in progress	**434**	386
Finished goods	**674**	823
	1 457	1 675

17 DEBTORS

	2002 US$M	2001 US$M
Amounts due within one year		
Trade debtors	**1 643**	1 804
less Provision for doubtful debts	**(13)**	(12)
Amounts owed by joint ventures	**–**	5
Tax recoverable	**20**	38
Employee Share Plan loans [a]	**71**	8
Other debtors [b]	**737**	587
less Provision for doubtful debts	**(3)**	(5)
Prepayments and accrued income	**99**	122
	2 554	2 547
Amounts due after one year		
Deferred tax	**480**	459
Employee Share Plan loans [a]	**64**	158
Other debtors [b]	**371**	166
Prepayments and accrued income	**282**	253
	1 197	1 036
	3 751	3 583

(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 owing and other long-term financing and reimbursement arrangements.

Notes to Financial Statements continued

18 CURRENT ASSET INVESTMENTS

	2002 US$M	2001 US$M
Listed investments [(a)]	**–**	83
Other investments [(b)(c)]	**117**	132
	117	215

(a) At 30 June 2001, listed investments had a market value of US$105 million.
(b) Other investments include US$61 million (2001: US$62 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).
(c) Other investments include US$49 million (2001: US$59 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

	2002 US$M	2001 US$M
Bank overdrafts	**509**	287
Unsecured bank loans	**178**	585
Total current portion of bank loans and overdrafts	**687**	872
Debentures	**706**	232
Secured debt (limited recourse) (refer note 20)	**37**	4
Unsecured debt (non-recourse)	**173**	–
Redeemable preference shares (refer note 20)	**–**	356
Commercial paper [(a)]	**849**	25
Finance leases	**2**	10
Other unsecured borrowings	**192**	308
Other secured borrowings	**141**	278
Total current portion of debentures and other borrowings	**2 100**	1 213
Total borrowings falling due within one year	**2 787**	2 085
Trade creditors	**1 243**	1 227
Corporation taxes	**513**	359
Social security	**1**	–
Other taxes	**110**	117
Other creditors and accruals	**1 081**	768
Deferred income	**92**	258
Dividends payable	**402**	421
	6 229	5 235

(a) In accordance with FRS4 'Capital Instruments', all commercial paper is classified as short-term borrowings though it is backed by medium term facilities. Under US and Australian GAAP, this amount would be grouped with non-current borrowings at 30 June 2002. The maturity of US$849 million of the commercial paper included above as due within one year can be extended beyond one year at the Group's option.

20 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 US$M	2001 US$M
Unsecured bank loans	**1 354**	2 534
Total non-current portion of bank loans	**1 354**	2 534
Debentures	**2 452**	2 159
Secured debt (limited recourse) (a)	**414**	346
Unsecured debt (non-recourse)	**613**	583
Redeemable preference shares (b)	**450**	534
Finance leases	**33**	53
Other unsecured borrowings	**218**	312
Total non-current portion of debentures and other borrowings	**4 180**	3 987
Total borrowings falling due after more than one year	**5 534**	6 521
Trade creditors	**10**	17
Other creditors	**111**	127
Corporation taxes	**13**	25
Deferred income	**319**	364
	5 987	7 054

(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 (2001: 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 (2001: 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.

BHP Billiton SA Ltd

Nil (2001: 700) shares of rand 0.01 nominal value were issued for rand 1 million each by a South African subsidiary and were redeemable between two and five years from issue. Company law in South Africa and the contractual arrangements relating to these shares are such that under generally accepted accounting principles in the United Kingdom, these shares were included in creditors with the dividends being included in interest and similar items.

The preference shares paid a dividend at the rate of 72 per cent of prime overdraft rate, were denominated in South African rand, and the holders' rights were subordinated to those of debt holders in the issuer. The shares were partially redeemed in March 2002 with the remainder being redeemed in April 2002.

Beswick Pty Ltd: 'A' Redeemable preference shares

Nil (2001: 700 000) shares, issued at A$1 000 each, fully paid; rebateable, cumulative dividend of 11 per cent per annum; non-participating. The BHP Billiton Group held options to purchase these shares, subject to certain conditions. The shares were redeemed on 28 September 2001 for A$1 000 per share.

Notes to Financial Statements continued

20 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR continued

	Repayable	Currency	Interest rate %	2002 US$M	2001 US$M
Debt falling due after 5 years is analysed as follows:					
Long-term borrowing – floating rate	2009 – 2011	US$	LIBOR	**50**	50
US$ Bond issue	2007	US$	7.5% fixed	**12**	34
US$ Bond issue	2012 – 2016	US$	7.5% fixed	**750**	750
Long-term borrowing	2006	MYR	7% reviewed quarterly	**–**	5
Long-term borrowing	2020	US$	6.35% fixed	**22**	22
Escondida	2008 – 2013	US$	8.3% fixed	**29**	42
Medium term notes	2008	A$	LIBOR+0.78%	**391**	–
Rio Algom Preferred Securities	2047	US$	9.4% fixed	**150**	150
Long-term borrowing	2030	US$	LIBOR	**82**	53
Richards Bay Coal Terminal loan	2015	ZAR	interest free	**23**	28
Eskom loan	2017	ZAR	12.8% fixed	**46**	45
Eskom loan	2017	ZAR	interest free	**–**	77
Mozal – Senior loans	2012 – 2014	US$	7-8% fixed	**210**	201
Mozal – Senior loans	2012	US$	LIBOR+4%	**52**	35
Mozal – Subordinated loan	2012	US$	8.46% fixed	**34**	–
CMSA Barclays facility	2007	US$	LIBOR+6%	**–**	39
Chrome Alloys long-term borrowing	2015	ZAR	JIBAR+1.4%	**46**	–
Other		various	various	**27**	35
				1 924	1 566

For maturity profile of financial liabilities see note 30, Liquidity exposures. For the purpose of that disclosure, financial liabilities include total borrowings falling due within one year US$2 787 million (2001: US$2 085 million), total borrowings falling due after more than one year US$5 534 million (2001: US$6 521 million) and other creditors falling due after more than one year, payable in cash, of US$17 million (2001: US$24 million).

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 medical benefits (note 28) US$M	Deferred tax US$M	Other US$M	Total US$M
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	**354**	**26**	**22**	**–**	**2**	**261**	**90**	**755**
Released during the year	**–**	**(13)**	**–**	**(57)**	**–**	**–**	**(15)**	**(85)**
Discounting	**–**	**–**	**–**	**42**	**–**	**–**	**–**	**42**
Exchange variation	**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**
At 1 July 2000	750	553	284	861	105	1 637	152	4 342
Amounts capitalised	–	–	–	170	–	–	–	170
Disposals	(74)	(9)	–	(13)	–	(31)	(5)	(132)
On acquisition of subsidiaries	1	–	–	68	41	89	7	206
Charge/(credit) for the year	194	48	40	39	6	(217)	415	525
HBI Venezuela guarantee (refer notes 2 and 15)	–	–	–	–	–	–	(310)	(310)
Discounting	–	–	–	39	–	–	–	39
Exchange variation	(75)	(26)	(100)	(76)	–	(138)	(12)	(427)
Utilisation	(193)	(67)	(29)	(40)	(8)	–	(57)	(394)
At 30 June 2001	603	499	195	1 048	144	1 340	190	4 019

(a) The provision for employee entitlements includes applicable amounts for annual leave and associated on-costs. It is anticipated expenditure of approximately US$304 million will be incurred in the year ending 30 June 2003.

(b) Restructuring provisions include costs for redundancies, site rehabilitation, business terminations and associated contract cancellations.

(c) Provision is made for site rehabilitation and decommissioning costs relating to a number of BHP Billiton Group companies. These are expected to be incurred over the next 30 years. The provision is calculated on the basis of the discounted value of the amounts estimated to be spent at the end of the life of the operations. Refer note 32: Contingent liabilities for additional details regarding site rehabilitation. 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$2 863 million (2001: US$2 166 million).

Notes to Financial Statements continued

22 CALLED UP SHARE CAPITAL AND CONTRIBUTED EQUITY

	2002 US$M	2001 US$M	2000 US$M
BHP Billiton Plc			
Authorised share capital			
3 000 000 000 ordinary shares of US$0.50 each (2001: 3 000 000 000; 2000: 3 000 000 000)	**1 500**	1 500	1 500
50 000 (2001: 50,000; 2000: 50 000) 5.5% preference shares of £1 each (a)	**–**	–	–
1 Special Voting Share (2001: 1; 2000: nil) of US$0.50 (b)	**–**	–	–
1 Equalisation Share (2001: 1; 2000: nil) of US$0.50 (c)	**–**	–	–
	1 500	1 500	1 500
Allotted, called up and fully paid share capital			
2 319 147 885 ordinary shares of US$0.50 each (2001: 2 319 147 885; 2000: 2 138 032 287)	**1 160**	1 160	1 069
50 000 (2001 – 50 000; 2000: 50 000) 5.5% preference shares of £1 each (a)	**–**	–	–
1 Special Voting Share (2001: 1; 2000: nil) of US$0.50 (b)	**–**	–	–
	1 160	1 160	1 069

	Number of shares		
	2002	2001	2000
Movements in ordinary called up fully paid shares			
Opening number of shares	**2 319 147 885**	2 138 032 287	2 138 032 287
Shares issued under ordinary share placement (d)	**–**	181 115 598	–
Closing number of shares	**2 319 147 885**	2 319 147 885	2 138 032 287

22 CALLED UP SHARE CAPITAL AND CONTRIBUTED EQUITY continued

	2002 US$M	2001 US$M	2000 US$M
BHP Billiton Limited			
Paid up contributed equity (e) (f)			
3 724 893 687 ordinary shares fully paid (2001: 3 704 256 885; 2000: 1 781 493 241)	**3 143**	3 039	4 260
320 000 ordinary shares paid to 71 Australian cents (2001: 385 000; 2000: 415 000) (g) (h)	**–**	–	–
2 305 000 ordinary shares paid to 67 Australian cents (2001: 3 656 500; 2000: 6 286 500) (g) (h)	**–**	–	–
1 Special Voting Share (2001: 1; 2000: nil) (b)	**–**	–	–
	3 143	3 039	4 260

	Number of shares		
	2002	2001	2000
Movements in ordinary fully paid shares			
Opening number of shares	**3 704 256 885**	1 781 493 241	1 742 907 069
Shares issued under Dividend Investment Plan (i)	**–**	–	21 234 886
Shares issued under Bonus Share Plan (i)	**–**	–	3 718 755
Shares issued on exercise of Employee Share Plan options (j)	**22 955 508**	7 798 200	9 309 031
Shares issued on exercise of Performance Rights	**–**	150 920	75 000
Bonus shares issued (f)	**–**	1 912 154 524	–
Partly paid shares converted to fully paid (g)	**1 815 916**	2 660 000	4 248 500
Shares bought back and cancelled (k)	**(4 134 622)**	–	–
Closing number of shares (l)	**3 724 893 687**	3 704 256 885	1 781 493 241

(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 held by BHP Billiton Limited.

(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 Electoral 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) 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.

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

(f) 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 on page 77.

(g) 65 000 (2001: 30 000; 2000: 415 000) shares paid to 71 cents and 1 351 500 (2001: 2 630 000; 2000: 3 833 500) shares paid to 67 Australian cents were converted to fully paid during 2002. There were no partly paid shares issued during the year (2001: nil; 2000: nil). Including bonus shares, 1 815 916 shares were issued on conversion of these partly paid shares. 650 000 (2001: 1 025 000) partly paid shares are entitled to 692 315 (2001: 1 091 728) bonus shares on becoming fully paid.

(h) As a consequence of the OneSteel Limited spin-out an instalment call of 66 Australian cents per share (pre bonus issue) was made on partly paid shares which was then immediately replaced by application of the capital reduction.

(i) The Dividend Investment Plan (DIP) and Bonus Share Plan (BSP) each provide shareholders with the opportunity to receive additional shares in lieu of cash dividends. Shares issued during 2000 were issued at a discount of 2.5 per cent from the market price. Market price is the average market price of a specified five-day period prior to issue. The DIP was suspended following payment of the November 1999 half yearly dividend. Since that dividend was unfranked the BSP was suspended in accordance with BHP Billiton Limited's Constitution and Rule 8 of the BSP on 17 September 1999.

(j) The number of shares issued on options exercised after 7 July 2001 includes bonus shares.

(k) 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, in accordance with its announced share buy-back program. 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.

(l) During the period 1 July 2002 to 2 September 2002, 1 283 554 Executive Share Scheme partly paid shares were paid up in full, 3 561 997 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan options and 918 120 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 employee share ownership plans and employee share awards of BHP Billiton Limited and BHP Billiton Plc. The subsequent tables and associated footnotes provide more information in relation to that contained in the summary table.

	Number of awards outstanding at 30 June 2002	Number of awards issued during year ended 30 June 2002	Fair value of an award issued during year ended 30 June 2002 US$
Restricted Share Scheme	**5 028 614**	**5 316 014**	**1.65**
Co-Investment Plan	**940 006**	**961 642**	**2.63**
Employee Share Plan (shares)	**45 827 460**	**–**	**–**
Employee Share Plan (options)	**60 944 303**	**14 077 500**	**1.22**
Executive Share Scheme	**3 317 315**	**–**	**–**
Performance Right (LTI)	**9 379 187**	**4 933 000**	**1.86**
Performance Right (MTI)	**222 892**	**222 892**	**2.97**
Bonus Equity Plan	**957 035**	**957 035**	**4.76**

BHP Billiton Plc share awards

The following tables relate to awards issued under the BHP Billiton Plc Restricted Share Scheme and Co-Investment Plan.

	Restricted Share Scheme (a)			Co-Investment Plan (b)		
	2002	2001	2000	**2002**	2001	2000
Number of awards issued since commencement of the Plan (c)	**5 316 014**			**961 642**		
Number of awards remaining under the Plan	**5 028 614**			**940 006**		
During the period						
Awards issued	**5 316 014**			**961 642**		
Participating employees	**239**			**126**		
Average issue/exercise price (£)	**–**			**–**		
Market value of issues (US$ million) (d)	**–**			**–**		
Proceeds from issues (US$ million)	**–**			**–**		
Shares issued on exercise of awards	**–**			**–**		
Employees exercising awards	**8**			**2**		
Market value of shares on exercise of awards (US$ million)	**–**			**–**		

Month of issue	Number issued	Number of recipients	Number exercised	Shares issued on exercise	Number lapsed	Awards outstanding at: Balance date	Awards outstanding at: Date of Directors' Report	Exercise price £	Exercise period/ release date
Restricted Share Scheme (a) (o)									
November 2001 (Share awards)	274 914	1	–	–	–	274 914	274 914	–	8 Nov 2004
October 2001 (Share awards)	4 178 100	197	51 320	51 320	222 880	3 903 900	3 681 200	–	1 Oct 2004
October 2001 (Options)	863 000	41	1 833	1 833	11 367	849 800	818 600	–	Oct 2004 – Sept 2008
						5 028 614	4 774 714		
Co-Investment Plan (b) (o)									
November 2001	94 851	1	–	–	–	94 851	94 851	–	Nov 2003 – Apr 2006
October 2001	866 791	125	6 131	6 131	15 505	845 155	753 455	–	Oct 2003 – Mar 2006
						940 006	848 306		

23 EMPLOYEE SHARE OWNERSHIP PLANS continued

	2002 Number	2002 Weighted average exercise price £	2001 Number	2001 Weighted average exercise price £	2000 Number	2000 Weighted average exercise price £
Restricted Share Scheme awards						
Outstanding at start of period (c)	**–**					
Granted during the period	**5 316 014**					
Exercised during the period	**(53 153)**					
Lapsed during the period	**(234 247)**					
Outstanding at end of period	**5 028 614**					
Exercisable	**–**					
Not exercisable	**5 028 614**					
Co-Investment Plan awards						
Outstanding at start of period (c)	**–**					
Granted during the period	**961 642**					
Exercised during the period	**(6 131)**					
Lapsed during the period	**(15 505)**					
Outstanding at end of period	**940 006**					
Exercisable	**–**					
Not exercisable	**940 006**					

BHP Billiton Limited employee share awards

The following tables relate to shares and options issued under the BHP Billiton Limited Employee Share Plan, shares under the Bonus Equity Plan, Performance Rights issued under the BHP Performance Share Plan, and partly paid shares issued under the Executive Share Scheme. Unless otherwise indicated details of the Plans, including comparatives, are presented including, where applicable, a bonus element to which the participant became entitled with effect from 29 June 2001, as a result of the DLC merger.

	Employee Share Plan (f)					
	Shares			Options		
	2002	2001	2000	**2002**	2001	2000
Number of shares and options issued since commencement of the Plan	**373 745 102**	373 745 102	373 745 102	**177 965 075**	163 887 575	148 643 007
Number of shares and options remaining under the Plan	**45 827 460**	62 781 518	87 469 376	**60 994 303**	74 588 800	87 217 403
Loans outstanding (US$ million) (g)	**135**	166	305			
During the period						
Shares and options issued	**–**	–	–	**14 077 500**	15 244 568	2 158 030
Participating employees				**266**	367	20
Average issue/exercise price (A$)				**8.98**	9.13	8.79
Market value of issues (US$ million) (d)				**–**	–	–
Proceeds from issues (US$ million)				**–**	–	–
Shares issued on exercise of options				**22 955 508**	16 104 063	19 224 080
Employees exercising options				**12 081**	9 431	8 562
Market value of shares on exercise of options (US$ million)				**132**	84	105
Proceeds from exercise of options (US$ million)				**94**	65	99

Notes to Financial Statements continued

23 EMPLOYEE SHARE OWNERSHIP PLANS continued

	Executive Share Scheme partly paid shares (h)			Performance Rights (i)(j)(k)		
	2002	2001	2000	**2002**	2001	2000
Number of shares and Performance Rights issued since commencement of the Plans	**50 529 280**	50 529 280	50 529 280	**11 827 871**	6 671 979	2 141 100
Number of shares and Performance Rights remaining under the Plans	**3 317 315**	5 133 231	8 576 076	**9 602 079**	5 815 538	1 712 879
During the period						
Shares and Performance Rights issued	**–**	–	–	**5 155 892**	4 530 879	–
Participating employees				**118**	115	–
Average issue price (A$)				**–**	–	–
Market value of issues (US$ million) (d)				**–**	–	–
Proceeds from issues (US$ million)				**–**	–	–
Shares issued on exercise of Performance Rights (k)				**–**	311 665	154 883
Employees exercising Performance Rights				**21**	1	1
Market value of shares on exercise of Performance Rights (US$ million)				**6**	2	1

	Bonus Equity Share Plan (l)		
	2002	2001	2000
Number of awards issued since commencement of the Plan	**957 035**	–	–
Number of awards remaining under the plan	**957 035**	–	–
During the period			
Awards issued	**957 035**	–	–
Participating employees	**117**	–	–
Average issue price (A$)	**–**	–	–
Market value of issues (US$ million) (d)	**–**	–	–
Proceeds from issues (US$ million)	**–**	–	–

23 EMPLOYEE SHARE OWNERSHIP PLANS continued

Month of issue	Number issued	Number of recipients	Number exercised (m)	Shares issued on exercise	Number lapsed	Awards outstanding at: Balance date	Date of Directors' Report	Exercise price A$ (n)	Exercise period
Employee Share Plan options									
November 2001	6 870 500	113	–	–	52 521	6 817 979	6 674 527	$8.99	Oct 2004 – Sept 2011
November 2001	7 207 000	153	8 034	8 034	175 384	7 023 582	6 940 770	$8.98	Oct 2004 – Sept 2011
December 2000	3 444 587	67	25 000	51 627	–	3 392 960	3 377 527	$9.41	July 2003 – Dec 2010
December 2000	2 316 010	59	110 500	228 194	86 734	2 001 082	1 906 765	$9.40	July 2003 – Dec 2010
November 2000	1 719 196	44	30 000	61 953	111 515	1 545 728	1 531 139	$8.97	July 2003 – Oct 2010
November 2000	7 764 776	197	320 500	661 864	48 530	7 054 382	6 874 443	$8.96	July 2003 – Oct 2010
April 2000	61 953	3	–	–	–	61 953	61 953	$8.29	April 2003 – April 2010
April 2000	937 555	5	–	–	138 362	799 193	799 193	$8.29	April 2003 – April 2010
December 1999	413 020	1	–	–	–	413 020	413 020	$9.30	April 2002 – April 2009
December 1999	309 765	1	–	–	–	309 765	309 765	$8.19	April 2002 – April 2009
October 1999	123 906	6	25 000	51 628	20 651	51 627	–	$8.26	April 2002 – April 2009
October 1999	105 320	3	2 000	4 130	30 977	70 213	70 213	$8.26	April 2002 – April 2009
July 1999	206 510	1	–	–	–	206 510	206 510	$8.29	April 2002 – April 2009
April 1999	44 474 822	45 595	3 630 400	7 498 797	19 586 026	17 389 999	15 548 345	$7.62	April 2002 – April 2009
April 1999	16 901 398	944	1 671 500	3 451 816	6 226 585	7 222 997	6 655 095	$7.61	April 2002 – April 2009
April 1998	366 555	16	67 500	139 394	–	227 161	216 836	$7.14	April 2001 – April 2003
April 1998	289 114	23	104 500	215 802	10 326	62 986	62 986	$7.13	April 2001 – April 2003
November 1997	3 261 619	3 501	1 022 900	2 112 389	611 271	537 959	472 082	$7.53	Nov 2000 – Nov 2002
November 1997	16 336 800	16 411	6 238 950	12 882 403	2 314 255	1 140 142	1 027 181	$7.53	Nov 2000 – Nov 2002
October 1997	11 234 144	511	4 192 934	8 658 827	109 451	2 465 866	2 061 106	$7.42	Oct 2000 – Oct 2002
October 1997	8 243 879	379	2 874 064	5 935 229	310 798	1 997 852	1 698 413	$7.42	Oct 2000 – Oct 2002
July 1997	413 020	1	200 000	413 020	–	–	–	$9.18	July 2000 – July 2002
July 1997	816 747	36	228 500	471 875	143 525	201 347	–	$9.19	July 2000 – July 2002
October 1996	1 751 411	46	645 000	1 331 989	419 422	–	–	$7.53	Oct 1999 – Oct 2001
October 1996	2 244 144	66	1 047 200	2 162 572	81 572	–	–	$7.53	Oct 1999 – Oct 2001
						60 994 303	56 907 869		
Performance Rights (o)									
November 2001 (LTI) (i)	4 770 800	110	8 610	8 610	102 990	4 659 200	4 508 031	–	Oct 2004 – Sept 2011
October 2001 (LTI) (i)	162 200	2	–	–	–	162 200	162 200	–	Oct 2004 – Sept 2011
October 2001 (MTI) (j)	222 892	6	–	–	–	222 892	222 892	–	Oct 2003 – Mar 2006
December 2000 (LTI) (i)	387 601	11	–	–	–	387 601	387 601	–	July 2003 – Dec 2010
November 2000 (LTI) (i)	4 143 278	104	372 611	769 479	113 581	3 260 218	2 718 966	–	July 2003 – Oct 2010
March 1999 (LTI) (i)	2 141 100	1	575 000	1 231 132	–	909 968	–	–	Mar 1999 – Mar 2009
						9 602 079	7 999 690		
Bonus Equity Plan awards (l)									
November 2001	957 035	117	–	–	–	957 035	944 138	–	Nov 2004 – Oct 2006

Notes to Financial Statements continued

23 EMPLOYEE SHARE OWNERSHIP PLANS continued

	2002 Number	2002 Weighted average exercise price A$	2001 Number	2001 Weighted average exercise price A$	2000 Number	2000 Weighted average exercise price A$
Employee Share Plan options						
Outstanding at start of period	**74 588 800**	**7.92**	87 217 403	7.92	127 815 307	8.13
Granted during the period	**14 077 500**	**8.98**	15 244 568	9.13	2 158 030	8.79
Exercised during the period (e)	**(22 946 098)**	**7.66**	(16 104 063)	7.59	(18 127 299)	8.69
Lapsed during the period	**(4 725 899)**	**7.78**	(11 769 108)	7.73	(24 628 635)	8.53
Outstanding at end of period	**60 994 303**	**8.29**	74 588 800	7.92	87 217 403	7.92
Exercisable	**32 297 444**	**7.62**	18 643 279	7.54	3 156 247	8.00
Not exercisable	**28 696 859**	**9.04**	55 945 521	8.06	84 061 156	7.92
Performance Rights						
Outstanding at start of period	**5 815 538**		1 712 879		2 087 572	
Granted during the period	**5 155 892**		4 530 879		–	
Exercised during the period	**(1 152 780)**		(428 220)		(374 693)	
Lapsed during the period	**(216 571)**		–		–	
Outstanding at end of period	**9 602 079**		5 815 538		1 712 879	
Exercisable	**53 529**		–		–	
Not exercisable	**9 548 550**		5 815 538		1 712 879	
Bonus Equity Plan awards	**–**		–		–	
Outstanding at start of period	**–**		–		–	
Granted during the period	**957 035**		–		–	
Exercised during the period	**–**		–		–	
Lapsed during the period	**–**		–		–	
Outstanding at end of period	**957 035**		–		–	
Exercisable	**–**		–		–	
Not exercisable	**957 035**		–		–	

Fair valuation of employee share awards

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

	2002 US$	2001 US$	2000 US$
Fair value of a Restricted Share Scheme award	**1.65** (p)		
Fair value of a Co-Investment Plan matching award	**2.63** (p)		
Fair value of an Employee Share Plan option	**1.22** (p)	1.61 (p)	(q)
Fair value of a Performance Right (LTI)	**1.86** (p)	3.70 (p)	
Fair value of a Performance Right (MTI)	**2.97** (p)		
Fair value of a Bonus Equity Plan award	**4.76** (r)		

23 EMPLOYEE SHARE OWNERSHIP PLANS continued

The fair values of Employee Share Plan options and Performance Rights granted were estimated using Black-Scholes option pricing techniques for the purpose of disclosure required by US Statement of Financial Accounting Standards No. 123. Significant assumptions used in applying this formula were as follows:

	2002	2001	2000
Restricted Share Scheme awards (p)			
Risk free interest rate	**4.8%**		
Estimated life of awards	**5 years** (s)		
Estimated volatility of share price	**20.0%**		
Dividend yield	**2.2%**		
Co-Investment Plan matching awards (p)			
Risk free interest rate	**4.6%**		
Estimated life of awards	**4 years** (s)		
Estimated volatility of share price	**20.0%**		
Dividend yield	**2.2%**		
Employee Share Plan options (p)			
Risk free interest rate	**4.8%**	6.6%	(q)
Estimated life of options	**5 years** (s)	10 years (s)	(q)
Estimated volatility of share price	**20.0%**	30.3%	(q)
Estimated amount of dividends per share		A$0.247	(q)
Dividend yield	**2.2%**		
Performance Rights (LTI)			
Risk free interest rate	**4.8%**	6.6%	
Estimated life of Performance Rights	**5 years** (s)	10 years (s)	
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** (s)		
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 are made on the recommendation of the Remuneration Committee and, in the case of other employees, the Remuneration Committee recommends the level of award following proposals from the Executive Committee. Awards are normally made annually in the six weeks after the announcement of the annual or interim results. In 2001, Mr Gilbertson's awards were made after shareholder approval at the AGM in October 2001. An award takes the form of conditional awards or share options in BHP Billiton Plc and was made subject to performance conditions that are set by the Remuneration Committee. The Remuneration Committee also recommends the value of the ordinary shares to be comprised in an award and this value does not exceed 100 per cent of a participant's annual base salary.

Subject to the performance conditions being met and the extent to which they are met, the award/option will vest and the participant will become absolutely entitled to the appropriate number of ordinary shares (if any), or if relevant, entitled to exercise options over the relevant number of ordinary shares subject to paying over to the Trust or to BHP Billiton Plc any tax liability arising on the vesting of the award/option. The Employee Share Ownership 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) the performance condition 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.

Notes to Financial Statements continued

23 EMPLOYEE SHARE OWNERSHIP PLANS continued

(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 amount of shares that vest under the RSS will not be greater than the amount 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. Awards carry no right to dividends and no voting rights.

(b) Invitations to participate in the Co-Investment Plan (CIP) are made to selected employees (including Executive Directors) of the BHP Billiton Plc Group. The selected employees are asked to indicate the proportion of their discretionary annual bonus for the current financial year they wish 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 is used 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. Matching awards are normally granted during the 42-day period commencing on the day on which BHP Billiton Plc releases its results for any financial period. In 2001, Mr Gilbertson's awards were made after shareholder approval at the AGM in October 2001.
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 conditions 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 were made in October 2001 and November 2001 upon the following terms:
(i) the performance condition 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 condition is met. If the performance condition has 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 amount of shares under the matching award that vest cannot be greater than 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.
Awards issued as presented in the preceding tables represents both committed awards and matching awards.

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

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

(e) The number of shares issued on exercise of options is reported inclusive of a bonus element in relation to the 29 June 2001 bonus issue. The number of shares issued on exercise of options for the year ended 30 June 2002 does not agree with the number of shares issued as reported in note 22 in circumstances where application of the bonus factor of 1.0651 would result in an entitlement to less than one whole share. In such cases, in accordance with the rules of the plan, an additional share is issued to the holder of the option.

(f) The Employee Share Plan provides 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 Directors deem appropriate. 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 are issued under the Employee Share Plan on the following terms:
(i) the limit on the number of shares and outstanding options or other rights issued under the Plan is 8 per cent of issued ordinary capital.
(ii) shares may be 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.
(iii) the Board of Directors may specify an issue price for an option. The exercise price of an option is market value less a discount not exceeding 10 per cent.
(iv) where shares are offered, interest free employee loans are 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 that 20-year period.
(v) 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.
(vi) 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 are issued. Although exercise price is 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.
(vii) the Board of Directors may apply performance hurdles to the exercise of options.
(viii) options granted from April 1999 to April 2000 are 10-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). The BHP Billiton Limited Group's performance in terms of TSR is measured against both of these groups to determine if performance hurdles have been achieved.

(ix) 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.

(x) options granted in October 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.

(xi) options are not transferable. Options carry no right to dividends and no voting rights.

(xii) 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 continues to participate in the Employee Share Plan is ineligible to participate in the Executive Share Scheme.

(ii) the limit on the number of shares under the Scheme is 2 per cent of issued ordinary capital.

(iii) shares are offered at an issue price determined by Directors which is not less than a 10 per cent discount nor more than a 10 per cent premium on the appropriate market price.

(iv) 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.

(v) 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.

(vi) there is no entitlement to dividends on the Scheme shares while they remain partly paid, unless Directors decide otherwise.

(vii) 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.

(viii) in respect of Executive Share Scheme share issues after June 1996, the issue of bonus shares will be deferred until the underlying Scheme shares are fully paid up. 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.

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

(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 executive, 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 executive 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 are currently issued on the following terms:

(i) a Performance Right entitles the beneficiary to one fully paid share in BHP Billiton Limited. The number of shares received on exercise of Performance Rights issued in March 1999 have been increased following the spin-out of OneSteel Limited to reflect the capital reduction impact on the value of BHP Billiton Limited shares. In addition, the number of shares received on exercise of Performance Rights on issue as at 29 June 2001 have been increased following the bonus issue which resulted from the DLC merger. Data, as presented in the preceding tables, has been adjusted to reflect the impact of the capital reduction and the bonus issue.

(ii) the exercise price of Performance Rights is zero. Performance Rights are not transferable. Performance Rights carry no right to dividends, and no voting rights.

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

(iv) 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 is 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.

(v) 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 in 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.

(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 executives 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 is used to acquire Performance Rights. This is known as the committed award.

Each executive who acquired a committed award was also granted a matching award 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 conditions 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) the performance condition 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 matching award will vest. At this time the participant has the option to remain within

Notes to Financial Statements continued

23 EMPLOYEE SHARE OWNERSHIP PLANS continued

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. If the performance condition has 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 equal to or in excess of 2 per cent per annum over the Australian Consumer Price Index.

(vi) the exercise price of Performance Rights is zero. Performance Rights are not transferable. Performance Rights carry no right to dividends, and no voting rights.

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

(l) The Bonus Equity Share Plan provides eligible employees with the opportunity to take a portion of their incentive plan award in ordinary shares in BHP Billiton Limited. Employees who elected to take their incentive plan award in shares under the Plan also receive an uplift of 25 per cent so that for each A$1 of award taken as shares, A$1.25 worth of shares will be provided. The shares are either subscribed for or 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 employees 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) Represents the number of options and Performance Rights exercised, and has not been adjusted to take into account the bonus shares issued on exercise of options.

(n) Although the exercise price of options was not effected by the bonus issue of shares, the exercise prices for options as stated have been adjusted to take into account the bonus issue of shares which took effect 29 June 2001. Exercise prices were also reduced by A$0.66 following the OneSteel Limited spin-out on 31 October 2000.

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

(p) The values of all awards granted during the year ended 30 June 2002 and of Employee Share Plan options and Performance Rights granted during the years 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. The values of Employee Share Plan options and Performance Rights granted in the year ended 30 June 2001 are shown after taking into account the bonus issue which resulted from the DLC merger.

(q) Employee Share Plan options granted during the period ended 30 June 2000 are subject to both a qualifying period and performance hurdles before they become exercisable. The performance hurdles relate to the BHP Billiton Limited Group's performance against either the performance of a number of Australian or international companies. Due to the nature of the performance hurdles which had been established for these options, and in the absence of an appropriate valuation technique, their fair value was considered to be indeterminable. Valuations are not available using the modified Black-Scholes option pricing techniques for options issued in prior periods.

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

(s) Subject to performance conditions.

Offers to take up shares and options under the Employee Share Plan and the Executive Share Scheme not accepted within the designated period, lapse. Accordingly, no shares or options remain available at balance date for issue to employees.

In (f) and (h) above, market price is the average market price of a specified five-day period prior to issue.

24 RESERVES

	Share premium account 2002 US$M	Profit & loss account 2002 US$M	Share premium account 2001 US$M	Profit & loss account 2001 US$M
Opening balance	**592**	**6 549**	27	5 798
Retained profit for the year	**–**	**906**	–	775
Premium on issue of ordinary shares for cash	**–**	**–**	565	–
Transfer to profit and loss account for year (goodwill)	**–**	**–**	–	4
BHP Billiton Limited share buy-back program	**–**	**(19)**	–	–
Gain on shares issued under the BHP Billiton Plc share repurchase scheme	**–**	**–**	–	76
Exchange variations	**–**	**25**	–	(104)
Closing balance (a)	**592**	**7 461**	592	6 549

(a) Cumulative goodwill set off against reserves on acquisitions prior to 1 July 1998 amounts to US$761 million (2001: US$761 million).

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 US$M	2001 US$M	2000 US$M
Profit for the financial year	**1 690**	1 529	1 506
Other recognised gains and losses	**25**	(763)	(502)
Total recognised gains and losses	**1 715**	766	1 004
Dividends	**(784)**	(754)	(788)
Issue of ordinary shares for cash	**104**	744	257
Share repurchase scheme (a)			
BHP Billiton Plc	**–**	194	(2)
Share buy-back program (b)			
BHP Billiton Limited	**(19)**	–	–
Capital reduction on OneSteel spin-out (refer note 22)	**–**	(650)	–
Transfer to profit and loss account for year (goodwill)	**–**	4	–
Net movement in shareholders' funds	**1 016**	304	471
Shareholders' funds at beginning of year	**11 340**	11 036	10 565
Shareholders' funds at end of year	**12 356**	11 340	11 036

(a) BHP Billiton Plc entered into an arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Strand Investment Holdings Limited) established for that purpose. 53 884 402 ordinary shares were purchased in the two years ended to 30 June 2000 at an aggregate purchase price of US$118 million, which were funded by the BHP Billiton Group. The cost of purchasing these shares was deducted from shareholders' funds. There was no intention to trade these shares and no dividends were paid in respect of them outside the BHP Billiton Group. Normally, The Companies Act 1985 requires that interests in own shares be included in the balance sheet as an asset. However, in this case the Directors considered that the arrangements were such that the shares owned by Strand Investment Holdings Limited had effectively been repurchased by the BHP Billiton Group and so did not constitute an asset of the BHP Billiton Group and that to show them as such would fail to show a true and fair view. During the year ended 30 June 2001 these shares were reissued and no shares were held by Strand Investment Holdings Limited at that date. Nor are any such shares held by Strand Investment Holdings Limited at 30 June 2002. Strand Investment Holdings Limited was consolidated as part of the BHP Billiton Group in each of the years described.

(b) Refer note 22.

Notes to Financial Statements continued

26 SIGNIFICANT ACQUISITIONS AND DISPOSALS

Acquisitions

Rio Algom

In October 2000 the BHP Billiton Group acquired 100 per cent of the equity shares of Rio Algom Limited for consideration of US$1 187 million. At 30 June 2001 based on provisional fair valuation adjustments, the net assets acquired were US$1 136 million giving rise to positive goodwill of US$51 million.

During the current year, the provisional fair valuation adjustments were revised following finalisation of a review of deferred tax, pension liabilities and assessed fair values. Details of those adjustments are provided in the table below. As a result goodwill has reduced by US$38 million to US$13 million.

	Provisional fair value US$M	Fair value adjustments US$M	Final fair value US$M
Tangible fixed assets	1 012	104	1 116
Investments	582	(42)	540
Stocks	264	–	264
Debtors	194	–	194
Cash including money market deposits	131	–	131
Creditors – amounts falling due within one year	(245)	–	(245)
Creditors – amounts falling due after more than one year	(665)	–	(665)
Provisions for liabilities and charges	(137)	(24)	(161)
Net assets acquired	1 136	38	1 174
Goodwill	51	(38)	13
Consideration	1 187	–	1 187

Disposals

Metals Distribution business

Effective 31 October 2001, BHP Billiton contributed its metals distribution business (the NAMD business) to a newly formed joint venture Integris Inc. in exchange for a 50 per cent interest in the joint venture. Alcoa Inc., a Delaware corporation, contributed its metals distribution business in exchange for the remaining 50 per cent interest in the joint venture. Net assets of the NAMD business at 31 October 2001 were US$156 million.

Ok Tedi

BHP Billiton has completed its withdrawal from the Ok Tedi copper mine (Papua New Guinea). BHP Billiton transferred its 52 per cent interest to an independent Program Company that will operate for the benefit of the people of Papua New Guinea. A series of legal releases, indemnities and warranties have been established which will protect BHP Billiton from certain legal liabilities for the period after its exit.

BHP Billiton will provide financial support to the Program Company by way of a fully repayable, interest free facility of up to US$100 million for a period of three years (until it has built up its own funds) with repayment arrangements if these are used and, in the event of an Ok Tedi Mining Ltd request in a drought situation, has agreed to pre-purchase copper concentrate up to an agreed level.

27 COMMITMENTS

	2002 US$M	2001 US$M
Capital expenditure commitments not provided for in the accounts		
Due not later than one year	**1 348**	994
Due later than one year and not later than five years	**271**	440
Total capital expenditure commitments	**1 619**	1 434
Lease expenditure commitments		
Finance leases (a)		
Due not later than one year	**6**	13
Due later than one year and not later than five years	**20**	28
Due later than five years	**30**	41
Total commitments under finance leases	**56**	82
deduct Future financing charges	**21**	19
Finance lease liability	**35**	63
Operating leases (b)		
Due not later than one year (c)	**169**	286
Due later than one year and not later than five years	**375**	475
Due later than five years	**274**	373
Total commitments under operating leases	**818**	1 134
Other commitments (d)		
Due not later than one year		
Supply of goods and services	**181**	177
Royalties	**27**	22
Exploration expenditure	**13**	34
Chartering costs	**55**	50
	276	283
Due later than one year and not later than five years		
Supply of goods and services	**579**	613
Royalties	**82**	93
Exploration expenditure	**28**	32
Chartering costs	**164**	93
	853	831
Due later than five years		
Supply of goods and services	**650**	737
Royalties	**150**	164
Chartering costs	**154**	85
	954	986
Total other commitments	**2 083**	2 100

(a) Finance leases are predominantly related to leases of dry bulk carriers for the Transport and Logistics business. 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.

Notes to Financial Statements continued

27 COMMITMENTS continued

(c) The BHP Billiton Group has commitments under operating leases to make payments totalling US$169 million in the next year as follows:

	2002 US$M	2001 US$M
Land and buildings		
Leases which expire:		
Within one year	**15**	3
Between two and five years	**6**	16
Over five years	**13**	17
	34	36
Other operating leases		
Leases which expire:		
Within one year	**80**	148
Between two and five years	**20**	47
Over five years	**35**	55
	135	250

(d) Included in other commitments is an amount of US$684 million (2001: US$656 million) representing Boodarie™ Iron's continuing operating commitments under a number of take or pay contracts for supply of products/services.

28 PENSIONS AND POST-RETIREMENT MEDICAL BENEFITS

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

	2002 US$M	2001 US$M	2000 US$M
The pension charge for the year is as follows:			
Defined contribution schemes	**61**	66	45
Industry-wide schemes	**18**	21	25
Defined benefit schemes			
Regular cost	**59**	48	111
Variation cost	**14**	(13)	(22)
Interest cost	**(18)**	4	–
	134	126	159

To the extent that there is a difference between pension cost and contributions paid, a prepayment or creditor arises. The accumulated difference provided in the balance sheet at 30 June 2002 gives rise to a prepayment of US$225 million (2001: prepayment of US$191 million; 2000: prepayment of US$208 million).

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

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

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

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

Of the significant funded schemes there were 19 with funding levels ranging from 61 per cent to 167 per cent. These funding levels are based on a mix of market values and actuarial values of the assets. At the date of the most recent actuarial valuations, the combined market value of these schemes' assets was US$1 754 million.

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

	BHP Billiton Superannuation Fund	Pension Plan for Hourly Employees of BHP Copper Inc	BHP USA Retirement Income Plan	New Zealand Steel Pension Fund
Country	Australia	USA	USA	New Zealand
Date of valuation	1 July 2000	1 Jan 2001	1 Jan 2001	31 March 2001
Investment return	9.0%	8%	8%	6%
Salary growth	6.0%	n/a	4.5%	4%
Pension increases	0%	0%	0%	0%
Asset valuation method	Market value	Market value	5-year smoothing	Market value
Market value of fund (US$ million)	801	208	150	42
Actuarial value of fund (US$ million)	801	208	141	42
Funding level	120%	121%	113%	64%

The BHP Billiton Group provides healthcare benefits, which are not pre-funded, for retired employees and their dependants in South Africa, the US, Canada and Suriname. The post-retirement benefit charge, net of employees' and retirees' contributions paid, in respect of these benefits was US$2 million (2001: US$6 million) including exchange variations of US$14 million (2001: 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 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 SSAP24 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 SSAP24 to a market-based approach in valuing the assets and liabilities arising from an employer's retirement benefit obligations and any related funding.

Currently, FRS17 only has to be applied to disclosures. This is the second year that disclosures have been made for the BHP Billiton Group under FRS17, and this year they extend to performance statement information for the first time.

The BHP Billiton Group operates a number of defined benefit schemes in Australia and New Zealand, Canada, the US, Europe, South Africa and South America. Full actuarial valuations for most schemes were carried out as at 30 June 2002 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
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%

Notes to Financial Statements continued

28 PENSIONS AND POST-RETIREMENT MEDICAL BENEFITS continued

This compares with those at 30 June 2001 which ranged from:

	Australia	Canada	US	Europe	South Africa	South America
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 7.0%	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, the development of the surplus (deficit) of the main defined benefit schemes at 30 June 2002 were (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
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	25	4	39	10	–	(5)	**73**
Net pension asset (liability)	**(58)**	**(6)**	**(73)**	**(23)**	**(1)**	**8**	**(153)**

The expected rates of return on these asset categories at 30 June 2002 were:

	Australia & NZ	Canada	US	Europe	South Africa	South America
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	13%	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%**

The corresponding figures at 30 June 2001 were (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
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	10	(4)	4	6	(13)	(3)	**–**
Net pension asset (liability)	**(22)**	**6**	**(7)**	**(15)**	**29**	**6**	**(3)**

28 PENSIONS AND POST-RETIREMENT MEDICAL BENEFITS continued

The expected rates of return on the asset categories at 30 June 2001 were:

	Australia & NZ	Canada	US	Europe	South Africa	South America
Bonds	6%	6% to 6.5%	7.5%	5% to 6%	8.25% to 8.5%	6% to 9.7%
Equities	9%	9% to 9.5%	8.6%	6% to 8%	10.5% to 12%	6% to 9.7%
Property	8%	n/a	n/a	8%	10.5%	0% to 6%
Cash and net current assets	n/a	1% to 4%	7.5%	4% to 6.1%	6.5% to 8.5%	6% to 9.7%
Total assets	**6% to 8%**	**4% to 8%**	**8.5%**	**5.7% to 6.65%**	**8.85% to 10.9%**	6% to 8%

Analysis of the operating costs in the year ended 30 June 2002 (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Current service cost	42	3	10	7	3	2	**67**
Past service cost (credit)	–	–	2	(1)	–	–	**1**
Curtailment losses (gains)	–	–	–	–	–	–	**–**
Previously unrecognised surplus deducted from curtailment losses	–	(1)	–	–	–	–	**(1)**
Total operating charge	**42**	**2**	**12**	**6**	**3**	**2**	**67**

Analysis of the financing credit in the year ended 30 June 2002 (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Expected return on pension schemes' assets	53	4	28	8	9	2	**104**
Interest on pension schemes' liabilities	(37)	(5)	(27)	(9)	(5)	(2)	**(85)**
Net return (cost)	**16**	**(1)**	**1**	**(1)**	**4**	**–**	**19**

Analysis of statement of total recognised gains and losses (STRGL) in the year ended 30 June 2002 (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Actual return less expected return on pension schemes' assets	(82)	(3)	(78)	(18)	(1)	31	**(151)**
Experience gains (losses) arising on the schemes' liabilities	33	–	–	8	(7)	(18)	**16**
Changes in assumptions underlying the present value of the schemes' liabilities	–	–	(23)	(15)	(2)	–	**(40)**
Other gains (losses) under paragraph 67(d)	–	(1)	6	–	–	–	**5**
Loss pursuant to legislative change with regard to South African surpluses	–	–	–	–	(29)	–	**(29)**
Actuarial gain (loss) recognised in STRGL	**(49)**	**(4)**	**(95)**	**(25)**	**(39)**	**13**	**(199)**

During the year, 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 Plc Group companies 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

28 PENSIONS AND POST-RETIREMENT MEDICAL BENEFITS continued

Analysis of movement in surplus/(deficit) during the year ended 30 June 2002 (US$ million):

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Surplus/(deficit) in schemes at 30 June 2001	(32)	9	(11)	(23)	42	9	**(6)**
Movement in year:							
Adjustment to surplus/(deficit) at 30 June 2001	–	(8)	–	3	–	–	**(5)**
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)**
Curtailment gains/(losses)	–	–	–	–	–	–	**–**
Exchange gains/(losses)	(10)	1	–	(4)	(9)	(8)	**(30)**
Surplus/(deficit) in schemes at 30 June 2002	**(83)**	**(10)**	**(112)**	**(33)**	**(1)**	**13**	**(226)**

The amount of this net pension liability would have a consequential effect on reserves.

Experience gains and losses for year ended 30 June 2002:

	Australia & NZ	Canada	US	Europe	South Africa	South America	Total
Difference between the expected and actual return on scheme assets:							
Asset gain/(loss) in US$ million	(82)	(3)	(78)	(18)	(1)	31	**(151)**
Percentage of schemes' assets	(14.9%)	(3.3%)	(27.1%)	(12.3%)	(1.1%)	70.5%	**(12.5%)**
Experience gains/(losses) on scheme liabilities in US$ million	33	–	–	8	(7)	(18)	**16**
Percentage of the present value of the schemes' liabilities	5.2%	–	–	4.5%	(11.3%)	(58.1%)	**1.2%**
Total gain/(loss) recognised in statement of total recognised gains and losses in US$ million	(49)	(4)	(95)	(25)	(39)	13	**(199)**
Percentage of the present value of the schemes' liabilities	(7.7%)	(4.9%)	(23.8%)	(14.0%)	(62.9%)	41.9%	**(14.3%)**

The BHP Billiton Group also operates a number of other post-retirement benefit arrangements in South Africa, the US, Canada, Suriname and the UK. Full actuarial valuations were carried out as at 30 June 2002, 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	UK
Ultimate healthcare inflation rate	9%	5%	3%	5%	4.5%
Discount rate	11.75%	7%	6.5%	5.5 to 6.5%	6%

This compares with those at 30 June 2001 which ranged from:

	South Africa	US	Canada	Suriname
Ultimate healthcare inflation rate	8%	5.5%	3%	5%
Discount rate	12%	7.5%	6.5% to 7%	6.5%

28 PENSIONS AND POST-RETIREMENT MEDICAL BENEFITS continued

The actuarial liabilities of the post-retirement schemes at 30 June 2002 were (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
Present value of scheme liabilities	(54)	(121)	(18)	(19)	(1)	**(213)**
Past service credit	(18)	–	–	–	–	**(18)**
Deficit	(72)	(121)	(18)	(19)	(1)	**(231)**
Related deferred tax asset	21	42	6	7	–	**76**
Net post-retirement liability	**(51)**	**(79)**	**(12)**	**(12)**	**(1)**	**(155)**

The corresponding figures at 30 June 2001 were (US$ million):

	South Africa	US	Canada	Suriname	Total
Present value of scheme liabilities	(94)	(142)	(27)	(18)	**(281)**
Deficit	(94)	(142)	(27)	(18)	**(281)**
Related deferred tax asset	28	12	12	7	**59**
Net post-retirement liability	**(66)**	**(130)**	**(15)**	**(11)**	**(222)**

Analysis of the operating costs in the year ended 30 June 2002 (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
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 credit in the year ended 30 June 2002 (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
Expected return on assets	–	–	–	–	–	**–**
Interest on post-retirement liabilities	(7)	(8)	(1)	(1)	–	**(17)**
Net return (cost)	**(7)**	**(8)**	**(1)**	**(1)**	**–**	**(17)**

Analysis of STRGL in the year ended 30 June 2002 (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
Actual return less expected return on post-retirement scheme assets	–	–	–	–	–	**–**
Experience gains (losses) arising on the schemes' liabilities	8	(6)	–	–	–	**2**
Changes in assumptions underlying the present value of the schemes' liabilities	(10)	–	–	(1)	–	**(11)**
Actuarial gain (loss) recognised in STRGL	**(2)**	**(6)**	**–**	**(1)**	**–**	**(9)**

Notes to Financial Statements continued

28 PENSIONS AND POST-RETIREMENT MEDICAL BENEFITS continued

Analysis of movement in surplus during the year ended 30 June 2002 (US$ million):

	South Africa	US	Canada	Suriname	UK	Total
(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	–	29	8	–	–	**37**
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)	20	–	–	–	–	**20**
(Deficit) in schemes at 30 June 2002	**(73)**	**(121)**	**(18)**	**(19)**	**(1)**	**(232)**

Experience gains and losses for year ended 30 June 2002:

	South Africa	US	Canada	Suriname	UK	Total
Difference between the expected and actual return on scheme assets:						
Asset gain/(loss) in US$ million	–	–	–	–	–	**–**
Percentage of scheme assets	0%	0%	0%	0%	0%	**0%**
Experience gains/(losses) on scheme liabilities in US$ million	8	(6)	–	–	–	**2**
Percentage of the present value of the scheme liabilities	14.8%	(5.0%)	0%	0%	0%	**0.9%**
Total gain/(loss) recognised in statement of total recognised gains and losses in US$ million	(2)	(6)	–	(1)	–	**(9)**
Percentage of the present value of the scheme liabilities	(3.7%)	(5.0%)	0%	(5.3%)	0%	**(4.2%)**

If the measurement principles of FRS17 had been applied to the pension schemes and post-retirement schemes of the Group’s joint ventures and associates at 30 June 2002 a deficit of approximately US$7 million would have been recognised in the Group balance sheet and actuarial losses of approximately US$12 million would have been taken to the Group Statement of Total Recognised Gains and Losses.

29 ANALYSIS OF MOVEMENTS IN NET DEBT

	At 1 July 2001 US$M	Acquisitions & disposals US$M	Cash flow US$M	Other non-cash movements US$M	Exchange movements US$M	At 30 June 2002 US$M
Cash at bank and in hand	836	(45)	411	–	(3)	**1 199**
Overdrafts	(287)	–	(218)	–	(4)	**(509)**
	549	(45)	193	–	(7)	**690**
Redeemable preference shares	(890)	–	423	–	17	**(450)**
Finance lease obligations	(63)	–	28	–	–	**(35)**
Other debt due within one year	(1 432)	–	(313)	(574)	43	**(2 276)**
Other debt due after one year	(5 934)	–	404	574	(95)	**(5 051)**
	(8 319)	–	542	–	(35)	**(7 812)**
Money market deposits [(a)]	449	–	(157)	–	8	**300**
	(7 321)	(45)	578	–	(34)	**(6 822)**
The balance sheet movement in cash including money market deposits is as follows:						
Cash at bank and in hand	836	(45)	411	–	(3)	**1 199**
Money market deposits [(a)]	449	–	(157)	–	8	**300**
	1 285	(45)	254	–	5	**1 499**

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

Notes to Financial Statements continued

30 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 Cashflow 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 cashflows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cashflows over a one-year horizon under normal market conditions at a confidence level of 95 per cent. Cashflow is measured as earnings after interest, but before taxes, depreciation and amortisation.)

Where CFaR is within the Board approved CFaR limit, hedging activities are not undertaken. 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.

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.

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 table below 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 and Australian dollars as indicated. All interest swaps have been designated as hedging instruments.

	Weighted average interest rate payable		Weighted average interest rate receivable		Notional amount	
	2002 %	2001 %	**2002** %	2001 %	**2002** US$M	2001 US$M
Interest rate swaps						
US dollar swaps						
Pay fixed/receive floating [(a)]						
2001	**–**	6.30	**–**	6.76	**–**	41
2002	**6.30**	6.30	**3.05**	–	**41**	41
UK pounds swaps						
Pay floating [(a)]/receive fixed						
2001	**–**	6.30	**–**	9.49	**–**	36
2002	**4.73**	–	**9.49**	9.49	**19**	18
Australian dollar swaps						
Pay floating [(a)]/receive fixed						
2001	**–**	6.18	**–**	7.36	**–**	153
2002	**5.11**	–	**7.36**	7.36	**170**	153
2003	**–**	–	**7.36**	7.36	**170**	153
2004	**–**	–	**7.36**	7.36	**170**	153
2005	**–**	–	**7.36**	7.36	**170**	153

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

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).

Liquidity risk

The BHP Billiton Group implemented a US$2.5 billion syndicated multi-currency revolving credit facility in September 2001. This facility replaced the US$1.2 billion credit facility of BHP Billiton Limited and the US$1.5 billion and US$1.25 billion credit facilities of BHP Billiton Plc. The facility was the first financing transaction post merger and is the BHP Billiton Group's cornerstone credit facility.

Prior to the merger BHP had a long-term credit rating of A-/A3 and a short-term rating of A-2/P-2. Billiton was not rated. Following the announcement of the merger the rating agencies confirmed their ratings but with a positive outlook. Standard & Poor's subsequently upgraded their rating of the BHP Billiton Group to A/A-1 from A-/A-2 and retained a positive outlook to reflect the excellent market position, substantial portfolio diversification, strong cost profile, and conservative financial policies which either resulted from, or improved substantially, as a result of the merger.

To capitalise on this stronger credit profile and to enhance the BHP Billiton Group's access to finance, other financing activities undertaken during the year included:

- In October 2001, increasing the Australian dollars commercial paper program limit from A$1 billion to A$2 billion. As at 30 June 2002, funds had been drawn under this program, and the majority of the exposure was swapped into US$ via forward foreign exchange contracts that match the maturity of the underlying drawdowns.
- In November 2001, issuing A$1 billion of medium term securities in the Australian debt capital markets. The proceeds from this issue were used to repay higher cost debt. Upon drawdown, the liability was swapped into US$.
- In June 2002, establishing a US$1.5 billion Euro Medium Term Note (EMTN) program which is listed on the Luxembourg stock exchange. This EMTN program provides the BHP Billiton Group with the capability to access the European capital markets and its establishment is consistent with the BHP Billiton Group's strategy of diversifying its funding sources.

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.

Notes to Financial Statements continued

30 FINANCIAL INSTRUMENTS continued

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 operation, 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, hedging contracts are entered into in foreign exchange markets. Operating and capital costs are hedged using forward exchange and currency option contracts. The majority of such hedge contracts which are outstanding as at 30 June 2002 are legacy positions which were taken out prior to the BHP Billiton merger, to hedge US dollars sales revenues earned by operations within the BHP Billiton Limited Group whose functional currency was then other than US dollars. At the time of merger, the hedge contracts were redesignated as hedges of Australian dollars operating costs.

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

Term	Weighted average A$/US$ exchange rate **2002**	Weighted average A$/US$ exchange rate 2001	Contract amounts **2002 US$M**	Contract amounts 2001 US$M
Forward contracts – sell US dollars/buy Australian dollars				
Not later than one year	**0.6562**	0.6884	**919**	1 140
Later than one year but not later than two years	**0.6170**	0.6572	**360**	910
Later than two years but not later than three years	**–**	0.6170	**–**	360
Total	**0.6447**	0.6650	**1 279**	2 410

Term	**Weighted average A$/US$ exchange rate 2002 A$ Call options**	**Weighted average A$/US$ exchange rate 2002 A$ Put options**	Weighted average A$/US$ exchange rate 2001 A$ Call options	Weighted average A$/US$ exchange rate 2001 A$ Put options	Contract amounts **2002 US$M**	Contract amounts 2001 US$M
Foreign exchange options – sell US dollars/buy Australian dollars						
Not later than one year	**0.5533**	**0.6612**	0.6260	0.6503	**1 054**	590
Later than one year but not later than two years	**–**	**–**	0.6126	0.6612	**–**	180
Total	**0.5533**	**0.6612**	0.6227	0.6542	**1 054**	770

Foreign exchange options entered into in the current period relate to the planned unwinding in July 2002 of cross currency interest rate swaps (CCIRS). Such action has been taken to swap Australian dollars denominated debt to US dollars during July 2002, as a result of the majority of the BHP Billiton Group's Australian dollars functional currency operations being demerged with BHP Steel.

Term	Weighted average exchange rate 2002	2001	Contract amounts 2002 US$M	2001 US$M
Forward contracts – sell Euros/buy US dollars				
Not later than one year	**0.9238**	0.8468	**100**	1
Total	**0.9238**	0.8468	**100**	1
Forward contracts – sell US dollars/buy Euros				
Not later than one year	**0.9212**	0.8857	**153**	11
Later than one year but not later than two years	**0.9156**	–	**21**	–
Later than two years but not later than three years	**0.9309**	–	**3**	–
Later than three years but not later than four years	**0.9439**	–	**3**	–
Later than four years but not later than five years	**0.9357**	–	**22**	–
Total	**0.9226**	0.8857	**202**	11
Forward contracts – sell US dollars/buy Sterling				
Not later than one year	**1.4536**	–	**118**	–
Later than one year but not later than two years	**1.4202**	–	**1**	–
Total	**1.4533**	–	**119**	–
Forward contracts – sell US dollars/buy South African rand				
Not later than one year	**10.61**	8.099	**56**	7
Later than one year but not later than two years	**10.15**	–	**1**	–
Total	**10.60**	8.099	**57**	7

Translational exposure in respect of investments in overseas operations

Since 1 July 2001, when the majority of the BHP Billiton Limited Group's operations changed their functional currency to US dollars, the functional currency of most BHP Billiton Group operations is US dollars. There are certain operations that have retained Australian dollars and UK pounds as a functional currency, and during the year ended 30 June 2002, 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 borrowing in these currencies. If circumstances arise that render the natural hedge deficient, then specific hedging utilising cross currency swaps may occur. Such action has been taken to swap Australian dollars denominated debt to US dollars during July 2002 as a result of the majority of the BHP Billiton Group's Australian dollars functional currency operations being demerged with BHP Steel.

The table on page 142 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 information is presented in US dollars equivalents. The instruments' actual cash flows are denominated in US dollars, UK pounds, Japanese Yen and Australian dollars as indicated.

Notes to Financial Statements continued

30 FINANCIAL INSTRUMENTS continued

	Weighted average exchange rate		Weighted average interest rate payable		Weighted average interest rate receivable		Principal amount [a]	
	2002	2001	**2002 %**	2001 %	**2002 %**	2001 %	**2002 US$M**	2001 US$M
Cross currency swaps								
US dollar to Australian dollar swaps								
Pay fixed/receive fixed								
2001	**–**	0.6579	**–**	7.49	**–**	7.49	**–**	807
2002	**0.6557**	0.6552	**7.19**	7.19	**7.18**	7.18	**691**	617
2003	**0.6601**	0.6601	**6.71**	6.71	**6.75**	6.75	**86**	77
US dollar to UK pounds swaps								
Pay fixed/receive fixed								
2001	**–**	1.6662	**–**	7.45	**–**	6.60	**–**	381
2002	**1.6662**	1.6662	**7.45**	7.45	**6.60**	6.60	**415**	381
2003	**1.6673**	1.6673	**7.37**	7.37	**6.69**	6.69	**277**	254
2004	**1.6673**	1.6673	**7.37**	7.37	**6.69**	6.69	**277**	254
2005	**1.6673**	1.6673	**7.37**	7.37	**6.69**	6.69	**277**	254
Japanese yen to US dollar swaps								
Pay floating [b]/receive fixed								
2001	**–**	128.41	**–**	7.18	**–**	5.71	**–**	40
2002	**123.00**	128.41	**3.47**	–	**5.71**	5.71	**41**	40
Pay fixed/receive fixed								
2001	**–**	122.97	**–**	9.18	**–**	6.38	**–**	7
Australian dollar to US dollar swaps								
Pay floating [b]/receive floating [b]								
2002	**1.917**	–	**2.44**	–	**4.81**	–	**130**	–
2003	**1.917**	–	**–**	–	**–**	–	**130**	–
2004	**1.917**	–	**–**	–	**–**	–	**130**	–
Pay floating [b]/receive fixed								
2002	**1.917**	–	**2.77**	–	**6.25**	–	**391**	–
2003	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2004	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2005	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2006	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2007	**1.917**	–	**–**	–	**6.25**	–	**391**	–
2008	**1.917**	–	**–**	–	**6.25**	–	**391**	–

[a] Amount represents US$ equivalent of principal payable under the swap contract.
[b] Floating interest rate in future periods will be based on LIBOR applicable at the time of the interest rate reset.

Translational exposure in respect of non-functional currency monetary items

Monetary items denominated in functional currencies other than US dollars are included in the balance sheet of some operations. These monetary items are periodically restated to US dollars equivalents whilst they remain on the balance sheet, 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$ 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 $	**–**	**–**	**–**	**–**	**–**	**–**
Sterling	**(103)**	**–**	**–**	**–**	**–**	**(103)**
Other	**11**	**–**	**–**	**1**	**–**	**12**
	(85)	**(1 413)**	**(376)**	**(891)**	**(295)**	**(3 060)**

	Net foreign currency monetary assets/(liabilities)					
	US$ 2001 US$M	A$ 2001 US$M	C$ 2001 US$M	SA rand 2001 US$M	Other 2001 US$M	Total 2001 US$M
Functional currency of Group operation						
US $	–	(194)	(246)	(1 343)	(306)	(2 089)
Australian $	321	–	–	5	167	493
Canadian $	22	–	–	–	69	91
Sterling	37	–	–	–	2	39
Other	7	1	–	–	–	8
	387	(193)	(246)	(1 338)	(68)	(1 458)

The increase in Australian dollars monetary liabilities in 2002 is predominantly a result of changing the functional currency of the majority of BHP Billiton Limited operations to US dollars on 1 July 2001.

The SA rand monetary liabilities include borrowings raised in a variety of currencies, including US dollars and the deutschemark, 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 dollars functional currency operations relate to provisions for deferred taxation.

Commodity price risk

The BHP Billiton Group is exposed to movements in the prices of the products it produces 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.

Notes to Financial Statements continued

30 FINANCIAL INSTRUMENTS continued

The following table provides information about the BHP Billiton Group's material derivative contracts, which (unless otherwise indicated) have not been recognised in the accounts.

Contract amounts are used to calculate the contractual payments and quantity to inventory to be exchanged under the contracts.

BHP Billiton Group	Volume 2002	Volume 2001	Units	Average rate 2002 US$	Average rate 2001 US$	Term to maturity (months)	Notional amount[a] 2002 US$M	Notional amount[a] 2001 US$M
Gold								
Forwards (sell)	**–**	70 963	troy oz	**–**	322	0–12	**–**	23
Forwards (buy)	**–**	44 380	troy oz	**–**	286	0–12	**–**	13
Silver								
Forwards (sell)	**–**	1 390 000	troy oz	**–**	5.52	0–12	**–**	8
	–	400 000	troy oz	**–**	5.50	13–24	**–**	2
Total	**–**	1 790 000	troy oz	**–**			**–**	10
Aluminium								
Forwards (buy)	**6 281**	3 227	tonnes	**1 187.94**	1 541.16	0–12	**7**	5
Forwards (sell)	**7 425**	–	tonnes	**1 182.89**	–	0–12	**9**	–
Zinc								
Forwards (buy)	**–**	9 659	tonnes	**–**	1 145.20	0–12	**–**	11
Energy Coal [b]								
Forwards (sell)	**8 630 000**	–	tonnes	**31.29**	–	0–12	**270**	–
	3 630 000	–	tonnes	**33.16**	–	13–24	**121**	–
Forwards (buy)	**4 405 000**	–	tonnes	**29.90**	–	0–12	**132**	–
	1 290 000	–	tonnes	**31.20**	–	13–24	**40**	–
Purchased calls	**270 000**	–	tonnes	**34.00**	–	0–12	**9**	–
	210 000	–	tonnes	**33.71**	–	13–24	**7**	–
Sold puts	**150 000**	–	tonnes	**32.60**	–	0–12	**5**	
	150 000	–	tonnes	**32.60**	–	13–24	**5**	–
Sold calls	**1 845 000**	–	tonnes	**30.30**	–	0–12	**56**	–
	1 470 000	–	tonnes	**29.88**	–	13–24	**44**	–

(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) Recognised in the financial statements.

Hedging of financial risks

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

	Gains 2002 US$M	Losses 2002 US$M	Net gains/ (losses) 2002 US$M	Gains 2001 US$M	Losses 2001 US$M	Net gains/ (losses) 2001 US$M
Opening balance unrecognised gains/(losses)	**10**	**(615)**	**(605)**	17	(481)	(464)
(Gains)/losses arising in previous years recognised in the period	**(9)**	**327**	**318**	(14)	273	259
Gains/(losses) arising before period end not included in the result for the year	**1**	**(288)**	**(287)**	3	(208)	(205)
Gains/(losses) arising in the year and not recognised	**(1)**	**124**	**123**	7	(407)	(400)
Closing balance unrecognised gains/(losses)	**–**	**(164)**	**(164)**	10	(615)	(605)
of which:						
Gains/(losses) expected to be recognised within one year	**–**	**(128)**	**(128)**	9	(327)	(318)
Gains/(losses) expected to be recognised after one year	**–**	**(36)**	**(36)**	1	(288)	(287)
	–	**(164)**	**(164)**	10	(615)	(605)

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 2002 US$M	**CCIRS interest component 2002 US$M**	**Interest rate swaps 2002 US$M**	**Finance lease swap[(a)] 2002 US$M**	Forward currency swaps 2001 US$M	CCIRS interest component 2001 US$M	Interest rate swaps 2001 US$M	Finance lease swap[(a)] 2001 US$M
Opening balance/unrecognised gains	**13**	**32**	**9**	**8**	14	(24)	10	11
Gains arising in previous years recognised in the period	**(3)**	**(5)**	**–**	**(2)**	(4)	–	(2)	(2)
Gains arising before period end not included in the result for the year	**10**	**27**	**9**	**6**	10	(24)	8	9
Gains/losses arising in the year and not recognised	**21**	**(1)**	**1**	**(4)**	3	56	1	(1)
Closing balance/unrecognised gains	**31**	**26**	**10**	**2**	13	32	9	8
of which:								
Gains expected to be recognised within one year	**13**	**20**	**–**	**(1)**	3	5	–	2
Gains expected to be recognised after one year	**18**	**6**	**10**	**3**	10	27	9	6
	31	**26**	**10**	**2**	13	32	9	8

(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 10-year term to a five-year term. The book value of these leases is US$26 million (2001: US$25 million). The effect of the swap is to match the initial lease obligation by receiving payments over a 10-year period at a fixed rate and making payments on a floating rate over five years. For the purpose of the disclosures, the book value of the finance leases is shown as it would be excluding the effect of the finance lease swap and the balance of the book value is allocated to the finance lease swap. The fair value disclosures relate only to the swapped components and reflect the fact that the swap receivable is subject to a fixed rate.

Financial liabilities – interest rate and currency profile

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

The currency and interest rate profile of the financial liabilities of the BHP Billiton Group as at 30 June 2002 is as follows:

	Fixed rate 2002 US$M	**Floating rate[(a)] 2002 US$M**	**Interest free 2002 US$M**	**Total 2002 US$M**	Fixed rate 2001 US$M	Floating rate[(a)] 2001 US$M	Interest free 2001 US$M	Total 2001 US$M
Currency								
US $	**1 771**	**4 119**	**7**	**5 897**	1 450	3 953	12	5 415
SA rand	**136**	**219**	**23**	**378**	195	367	108	670
Australian $	**817**	**476**	**10**	**1 303**	1 276	457	6	1 739
Canadian $	**235**	**–**	**–**	**235**	232	33	–	265
Other	**454**	**71**	**–**	**525**	440	101	–	541
	3 413	**4 885**	**40**	**8 338**	3 593	4 911	126	8 630

(a) 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.

Notes to Financial Statements continued

30 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 which are shown in the table below take into account various interest rate and currency swaps used to manage the interest rate and currency profile of financial liabilities.

	Weighted average fixed interest rate % 2002	Weighted average period for which rate is fixed Years 2002	Weighted average period to maturity of the interest free liabilities Years 2002	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
Currency						
US $	**8**	**13**	**1**	8	16	2
SA rand	**13**	**6**	**13**	13	7	14
Australian $	**7**	**1**	**2**	8	2	3
Canadian $	**6**	**1**	**–**	6	1	–
Other	**7**	**3**	**–**	7	3	–
	8	**8**	**8**	8	8	12

Financial assets – interest rate and currency profile

Short-term debtors 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 2002 US$M	Floating rate(a) 2002 US$M	Non-interest bearing(b) 2002 US$M	Total 2002 US$M	Fixed rate 2001 US$M	Floating rate(a) 2001 US$M	Non-interest bearing(b) 2001 US$M	Total 2001 US$M
Currency								
US $	**20**	**1 747**	**587**	**2 354**	81	1 222	452	1 755
SA rand	**5**	**99**	**31**	**135**	27	107	242	376
Australian $	**44**	**66**	**142**	**252**	14	51	331	396
Canadian $	**–**	**1**	**–**	**1**	–	20	20	40
Other	**–**	**192**	**101**	**293**	–	146	9	155
	69	**2 105**	**861**	**3 035**	122	1 546	1 054	2 722

(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$478 million (2001: US$473 million), certain other non-current debtors of US$379 million (2001: US$283 million) the interest free portions of loans to joint ventures of US$nil million (2001: US$215 million) and other current asset investments of US$4 million (2001: US$83 million). Items included within this category are generally intended to be held for periods greater than five years.

30 FINANCIAL INSTRUMENTS continued

Liquidity exposures

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

	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**

	Bank loans, debentures and other loans 2001 US$M	Obligations under finance leases 2001 US$M	Subsidiary preference shares 2001 US$M	Other creditors 2001 US$M	Total 2001 US$M
In one year or less or on demand	1 719	10	356	–	2 085
In more than one year but not more than two years	1 007	8	86	15	1 116
In more than two years but not more than five years	3 361	12	448	7	3 828
In more than five years	1 566	33	–	2	1 601
	7 653	63	890	24	8 630

	2002 US$M	2001 US$M
Loans falling due after more than five years are repayable as follows:		
By instalments	**400**	528
Not by instalments	**1 524**	1 038
	1 924	1 566

The aggregate amount of loans repayable by instalments and for which at least one instalment falls due after 5 years is US$652 million (2001: US$978 million).

At 30 June 2002 borrowings of US$180 million (2001: US$292 million) and US$447 million (2001: US$399 million) due within and after more than one year respectively were secured on assets of the BHP Billiton Group.

Borrowing facilities

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

	2002 US$M	2001 US$M
Expiring in one year or less	**1 281**	492
Expiring in more than two years	**401**	2 266
	1 682	2 758

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

30 FINANCIAL INSTRUMENTS 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 2002 US$M	**Fair value 2002 US$M**	Book value 2001 US$M	Fair value 2001 US$M
Primary and derivative financial instruments held or issued to finance the BHP Billiton Group's operations				
Short-term borrowings	**(2 895)**	**(2 915)**	(2 145)	(2 162)
Long-term borrowings and other creditors	**(5 658)**	**(5 978)**	(6 886)	(6 921)
Cross currency contracts				
Principal	**189**	**189**	375	375
Interest rate	**–**	**57**	–	45
Finance lease swap	**26**	**28**	26	34
Interest rate swaps	**–**	**10**	–	9
	(8 338)	**(8 609)**	(8 630)	(8 620)
Cash and money market deposits	**1 499**	**1 499**	1 285	1 285
Loans to joint ventures and associates	**488**	**488**	438	438
Current asset investments	**117**	**117**	215	237
Fixed asset investments (excluding investment in own shares)	**496**	**516**	473	483
Investment in exploration companies (refer note 15)	**–**	**11**	–	5
Other debtors to be settled in cash	**435**	**413**	311	276
Derivative financial instruments held to hedge the BHP Billiton Group's exposure on expected future sales and purchases				
Forward commodity contracts	**–**	**(2)**	–	10
Forward foreign currency contracts	**–**	**(162)**	–	(615)
	(5 303)	**(5 729)**	(5 908)	(6 501)

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

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

31 RELATED PARTIES

BHP Billiton Group companies have trading relationships with a number of joint ventures of the BHP Billiton Group. In some cases there are contractual arrangements in place 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 2002, sales made by BHP Billiton Group entities to such joint ventures amounted to US$240 million (2001: US$389 million) and purchases amounted to US$3 million (2001: US$2 million).

Amounts owing between the BHP Billiton Group and joint ventures are disclosed in notes 15 and 17.

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 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. (Refer to pages 52 and 53).

Following the termination of his employment on 1 July 2002, Mr Anderson entered into a consultancy arrangement with BHP Billiton Group under which he agrees to act as a consultant to the Group for two years commencing at the time he ceases to be a Director. Mr Anderson will receive a total fee of US$104 739 under this arrangement.

The following disclosures are required under Australian GAAP, but not under UK GAAP. However, the Directors are of the opinion that this information may be of interest to all shareholders of the BHP Billiton Group.

Share transactions with Directors and Director-related entities
The former Managing Director and Chief Executive Officer, P M Anderson received 374 693 ordinary shares during the year ended 30 June 2002 (2001: 201 840) on exercise of Performance Rights. A further 50 000 exercisable rights are held and are exercisable. On the exercise of these rights P M Anderson will receive 114 765 ordinary shares.

The current Chief Executive Officer, B P Gilbertson, was conditionally awarded 274 914 shares under the Restricted Share Scheme during the year ended 30 June 2002 (2001: 1 092 618). Subject to performance hurdles being met, the shares will vest unconditionally on 1 October 2004. An additional 94 851 shares were awarded under BHP Billiton Plc's Co-Investment Plan. Of this award, 71 431 were matching awards and 23 420 were awarded as committed shares (2001: 92 361 committed shares and 348 311 matching awards). They are not exercisable before 1 October 2003 and are subject to performance hurdles.

During the year 1 092 618 of B P Gilbertson's Restricted Share Scheme awards vested at £3.1675 each (the market price of shares on the day of vesting) and 92 361 committed shares and 348 311 matching awards vested at £3.1675 each (the market price of shares on the day of vesting).

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 Limited 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
D A Crawford [(a)]	KPMG Australia	Chairman and Partner
J C Conde [(b)]	Broadcast Investments Pty Ltd (and related entities)	Chairman and Managing Director
M A Chaney	Wesfarmers (Group)	Managing Director
D A Jenkins	Chartwood Resources Ltd	Chairman and Managing Director
B D Romeril [(c)]	Xerox Corporation	Chief Financial Officer

(a) D A Crawford resigned as Chairman and Partner of KPMG Australia on 28 June 2001.
(b) J C Conde resigned as Chairman and Managing Director of Broadcast Investments Pty Ltd on 21 March 2001.
(c) 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:

- D A Crawford resigned as Chairman and Partner of KPMG Australia on 28 June 2001. During the year ended 30 June 2001 KPMG Australia received US$1.320 million in fees for services provided to the BHP Billiton Group.
- the Wesfarmers Group received US$22.287 million during the year ended 30 June 2002 (2001: US$13.492 million) for products and services provided to the BHP Billiton Group. The Wesfarmers Group paid US$5.052 million (2001: US$7.474 million) to the BHP Billiton Group for various products. At 30 June 2002 outstanding receivables from the Wesfarmers Group were US$nil (2001: $0.303 million).
- 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.

Notes to Financial Statements continued

32 CONTINGENT LIABILITIES

	2002 US$M	2001 US$M
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from		
Joint ventures and associates – guarantees of borrowings (unsecured)	**429**	568
Other (unsecured, including guarantees)	**498**	910
Total contingent liabilities (a)	**927**	1 478

(a) Excludes US$145 million (2001: US$127 million) of other unsecured contingent liabilities where there is either a possible or present obligation, but the likelihood of the transfer of future economic benefits is remote.

Ok Tedi Mining Limited

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

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

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

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 will operate 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 numerous preliminary steps and preliminary hearings having occurred during the past year. No date has been fixed for a trial.

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. The Applicants' alleged losses have not been quantified.

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. It is unlikely that these issues will be resolved in the near term.

Reclamation and Remediation Obligations

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 2002, US$1 276 million (2001: US$877 million) was accrued for reclamation and decommissioning costs relating to current operations in the provision for site rehabilitation. Although the BHP Billiton Group's provisions have been accrued for currently, 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 its net present value.

In addition, the BHP Billiton Group has certain obligations associated with maintaining several closed sites including remediation activities. At 30 June 2002, US$337 million (2001: US$171 million) and

US$47 million (2001: US$334 million) was provided for closed properties and remediation activities in the provisions for site rehabilitation and restructuring, respectively. 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 accrued for these matters are reviewed periodically based upon the facts and circumstances available at the time and the accruals are updated accordingly. The BHP Billiton Group believes that it is reasonably possible that the liability for these matters could be as much as 20 per cent greater than the total amount of US$384 million accrued at 30 June 2002. 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 2002 the Company has provided US$31 million for its anticipated share of the planned remediation work, which represents the minimum in a range of US$31 million to US$43 million. BHP Copper is currently working to reduce its ultimate exposure

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. Such action seeks recovery from these historical owners and operators for remediation and source control costs under state and federal Superfund laws and state common law. BHP Billiton Limited's predecessors in interest have asserted a counterclaim in this action against BHP Copper seeking full indemnity from BHP Copper (based upon the historical transaction documents relating to the sale to BHP Copper of the properties) for any liability those predecessors may have at the site. 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. Discussions, as well as discovery and other proceedings, are currently ongoing. Neither insurance recoveries nor other claims or offsets have been recognised in the financial statements until such offsets are considered probable of realisation.

Hawaii, US

In May 1998, Petroleum 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, some 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.

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. Petroleum 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. The State of Hawaii has previously requested information from the BHP Billiton Limited Group with respect to contaminated material unearthed in the vicinity of another former manufactured gas plant site, in Hilo.

In respect of these three sites, Petroleum's liabilities including remediation costs and amounts paid to settle litigation, though uncapped, are currently assessed and accrued at US$12 million.

Newcastle, Australia

On 28 June 2002, the Company and the New South Wales (NSW) Government executed contracts for the transfer of four properties in the Newcastle area from the Company to the NSW Government. The properties covered by the land transfer are the 150-hectare 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 Company US$20 million (net of GST) for the Main Steelworks site. The other properties are to be transferred to the NSW Government at no cost. The Company will pay the NSW Government the sum of US$62 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.

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 has migrated to or has been transported off these sites after the date of completion. The Company will retain responsibility for any pre-completion 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 Company continues to be responsible for demolition at the Main Steelworks site at an estimated cost of around 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 Company has also taken out pollution liability insurance to cover certain risks associated with pre-completion environmental liabilities referred to above.

Notes to Financial Statements continued

32 CONTINGENT LIABILITIES continued

Additionally the Company 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 2002 were approximately US$75 million. Following completion of the land transfers (at a net cost of US$42 million) the balance of the provision is US$33 million in relation to the remaining Newcastle Steelworks closure costs.

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 will operate for the benefit of the Papua New Guinean people.

The Program Company will operate 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 will continue to operate the mine on behalf of the shareholders.

Additionally the withdrawal agreement requires 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 will also provide 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 will ensure 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 will no longer benefit 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.

33 BHP BILLITON PLC (UNCONSOLIDATED PARENT COMPANY)

BHP Billiton Plc (the unconsolidated parent company) is exempt from presenting its own profit and loss account in accordance with s230 of the Companies Act 1985. BHP Billiton Plc (the unconsolidated parent company) is required to present its balance sheet and certain notes to the balance sheet on a stand-alone basis as at 30 June 2002 and 2001 as follows:

BHP Billiton Plc (unconsolidated parent company) balance sheet

	BHP Billiton Plc	
	2002 US$M	2001 US$M
Fixed assets		
Investments		
Subsidiaries	**3 030**	3 030
	3 030	3 030
Current assets		
Debtors – due within one year (a)	**97**	164
Cash including money market deposits	**–**	47
	97	211
Creditors – amounts falling due within one year (b)	**(613)**	(364)
Net current liabilities	**(516)**	(153)
Total assets less current liabilities	**2 514**	2 877
Provisions for liabilities and charges (c)	**(10)**	–
Net assets	**2 504**	2 877
Attributable net assets	**2 504**	2 877
Capital and reserves		
Called up share capital – BHP Billiton Plc	**1 160**	1 160
Share premium account (d)	**592**	592
Profit and loss account (d)	**752**	1 125
Equity shareholders' funds (e)	**2 504**	2 877

The BHP Billiton Plc (unconsolidated parent company) financial statements were approved by the Board of Directors on 9 September 2002 and signed on its behalf by:

Don Argus, Chairman

Brian Gilbertson, Chief Executive

Notes to Financial Statements continued

33 BHP BILLITON PLC (UNCONSOLIDATED PARENT COMPANY) continued

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

(a) Debtors – due within one year

	BHP Billiton Plc 2002 US$M	2001 US$M
Amounts owed by Group undertakings	**84**	151
Tax recoverable	**13**	13
	97	164

(b) Creditors – amounts falling due within one year

	BHP Billiton Plc 2002 US$M	2001 US$M
Amounts owed to Group undertakings	**456**	171
Accruals and deferred income	**6**	7
Dividends payable	**151**	186
	613	364

The audit fee payable in respect of the audit of the BHP Billiton Plc company financial statements was US$15 000 (2001: US$10 000; 2000: US$10 000).

(c) Provisions for liabilities and charges as at 30 June 2002 includes US$6 million for employee entitlements, US$3 million for restructuring and US$1 million for post-retirement medical benefits.

(d) Reserves

	BHP Billiton Plc		BHP Billiton Plc	
	Share premium account 2002 US$M	**Profit & loss account 2002 US$M**	Share premium account 2001 US$M	Profit & loss account 2001 US$M
At beginning of year	**592**	**1 125**	27	1 206
Retained loss for the year	**–**	**(373)**	–	(81)
Premium on issue of ordinary shares for cash	**–**	**–**	565	–
At end of year	**592**	**752**	592	1 125

(e) Reconciliation of movements in shareholders' funds

	BHP Billiton Plc 2002 US$M	2001 US$M
(Loss)/profit for the financial period	**(72)**	197
Total recognised gains and losses	**(72)**	197
Dividends	**(301)**	(278)
Issue of ordinary shares for cash	**–**	656
Net movement in shareholders' funds	**(373)**	575
Shareholders' funds at beginning of year	**2 877**	2 302
Shareholders' funds at end of year	**2 504**	2 877

Contingent liabilities

BHP Billiton Plc has guaranteed certain financing facilities available to subsidiaries. At 30 June 2002 such facilities totalled US$614 million (2001: US$3 160 million) of which US$258 million (2001: US$1 707 million) was drawn.

Under the terms of a deed poll guarantee BHP Billiton Plc has also guaranteed certain current and future liabilities of BHP Billiton Limited. At 30 June 2002 the guaranteed liabilities amounted to US$4 345 million, (2001: US$3 267 million).

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES

Refer addendum at the end of this Annual Report which includes a revised version, in its entirety, of this note 34 to the financial statements.

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.

Certain additional disclosures that would normally accompany these disclosures were they being prepared in the context of a filing with the US Securities and Exchange Commission have been omitted.

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, with the excess recorded as 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 years ended 30 June 2001 and 2000, the BHP Billiton Group's net income under UK GAAP, as presented in the financial statements of the BHP Billiton Group, when represented under US GAAP, becomes the net income of the BHP Billiton Limited Group.

Notes to Financial Statements continued

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

(A) Reconciliation to US GAAP

Material differences between UK GAAP as followed by the BHP Billiton Group and US GAAP are described below. Refer 'US GAAP Adjustments'.

The following is a summary of the estimated adjustments to net income for 2002, 2001 and 2000 which would be required if US GAAP had been applied instead of UK GAAP.

	2002 US$M	2001 US$M (restated)	2000 US$M
Reconciliation of net income			
Attributable profit as reported under UK GAAP	**1 690**	1 529	1 506
add/(deduct) *Estimated adjustment required to accord with US GAAP:*			
BHP Billiton Plc Group's pre-acquisition profit attributable to shareholders under UK GAAP	**–**	(565)	(566)
Fair value adjustment on acquisition of BHP Billiton Plc Group			
Depreciation, amortisation and other asset movements	**(454)**	(11)	(11)
BHP Steel demerger	**(333)**	–	–
Employee compensation costs	**26**	(117)	–
Depreciation – write-downs	**(18)**	(19)	(31)
– revaluations	**5**	5	7
– reserves	**(15)**	–	–
Restructuring and employee provisions	**(55)**	31	26
Fair value accounting for derivatives	**279**	(33)	–
Synthetic debt	**18**	–	–
Realised net exchange (losses)/gains on sale of assets/closure of operations	**84**	7	26
Exploration, evaluation and development expenditures	**(60)**	(3)	(4)
Start-up costs	**(2)**	5	(15)
Profit on asset sales	**2**	2	(30)
Pension plans	**(12)**	24	21
Other post-retirement benefits	**8**	–	–
Mozal expansion rights	**22**	–	–
Employee Share Plan loans	**(16)**	–	–
Purchase business combination costs	**–**	38	–
Expenses on spin-off of OneSteel Limited	**–**	(30)	–
Restoration and rehabilitation costs	**–**	50	61
Asset write-downs	**–**	–	(891)
Consolidation of Tubemakers of Australia Ltd	**–**	(1)	(4)
Tax adjustments (including the tax effect of above adjustments)	**(42)**	(30)	305
Total adjustment	**(563)**	(647)	(1 106)
Net income of BHP Billiton Group under US GAAP	**1 127**	882	400

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	2002 US$	2001 US$	2000 US$
Earnings per share – US GAAP [(a)] [(b)]			
Basic	**0.187**	0.239	0.109
Diluted	**0.187**	0.238	0.109
Earnings per American Depositary Share (ADS) – US GAAP [(b)] [(c)]			
Basic	**0.374**	0.478	0.218
Diluted	**0.374**	0.476	0.218

(a) Based on the weighted average number of shares on issue for the period.
(b) Comparative data has been adjusted to take into account the BHP Billiton Limited bonus share issue effective 29 June 2001. Refer note 23.
(c) For the periods indicated, each ADS represents two ordinary shares in BHP Billiton Limited.

	2002 US$M	2001 US$M (restated)	2000 US$M
Consolidated income statement			
Revenues	**14 698**	9 038	8 653
deduct			
Cost of sales	**9 968**	6 457	7 165
Depreciation and amortisation	**1 882**	1 137	1 106
General and administrative expenses	**174**	185	57
Operating income	**2 674**	1 259	325
deduct			
Net interest expense	**465**	299	418
Income/(loss) before tax, minority interests and equity in net earnings of affiliated companies	**2 209**	960	(93)
deduct/(add)			
Taxation expense/(benefit)	**1 000**	489	(310)
add			
Share of profits of joint ventures and associated undertakings	**221**	15	19
deduct/(add)			
Minority interests	**39**	(260)	(21)
Net income from continuing operations	**1 391**	746	257
Discontinued operations			
Income from discontinued operations	**74**	205	196
(add)/deduct			
Taxation (benefit)/expense from discontinued operations	**(3)**	34	48
deduct			
Loss on disposal of operations	**333**	31	4
deduct			
Minority interests in discontinued operations	**8**	4	1
Net (loss)/income from discontinued operations	**(264)**	136	143
Net income	**1 127**	882	400

Notes to Financial Statements continued

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

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

	2002 US$M	2001 US$M	2000 US$M
Statement of comprehensive income			
Total changes in equity other than those resulting from transactions with owners under UK GAAP [(a)]	**1 715**	1 401	1 240
Adjustments to reflect comprehensive income in accordance with US GAAP, net of income tax:			
Total adjustment to net income per above reconciliation excluding adjustments mainly related to the acquisition of BHP Billiton Plc Group	**(563)**	(227)	(540)
Reclassification adjustment for net exchange gains included in net income [(b)]	**(84)**	(7)	(26)
Net loss on qualifying cash flow hedging instruments as at 1 July 2000	**–**	(268)	–
Losses on qualifying cash flow hedging instruments	**–**	(301)	–
Net transfer to earnings on maturity of cash flow hedging instruments	**148**	150	–
Changes in fair value of listed investments	**5**	–	–
Comprehensive income – under US GAAP [(c)]	**1 221**	748	674
Accumulated other comprehensive income includes:			
Exchange fluctuation account	**387**	446	149
Qualifying cash flow hedging instruments	**(271)**	(419)	–
Other items	**5**	–	–

(a) 2002 represents the BHP Billiton Group. 2001 and 2000 represents the 'predecessor' being the BHP Billiton Limited Group.

(b) Tax benefit/(expense) of other comprehensive income items:

	2002	2001	2000
• Movements in exchange fluctuation account	**1**	74	40
• Reclassification adjustment for exchange gains included in net income	**–**	–	30

(c) Estimated losses expected to be reclassified from other comprehensive income to earnings in the year ended 30 June 2003 are approximately $220 million after tax.

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2002 and 2001 that would be required if US GAAP had been applied instead of UK GAAP:

	2002 US$M	2001 US$M
Reconciliation of Shareholders' Equity		
Shareholders' equity under UK GAAP	**12 356**	11 340
add/(deduct)		
Estimated adjustment required to accord with US GAAP:		
Fair value adjustments on acquisition of BHP Billiton Plc Group (a)		
Inventory	**–**	159
Investments	**985**	1 034
Property, plant and equipment	**2 072**	2 156
Undeveloped properties	**741**	825
Long-term contracts	**39**	40
Goodwill	**3 174**	3 277
Long-term debt	**13**	29
BHP Steel demerger	**(264)**	–
Property, plant and equipment revaluations	**(63)**	(68)
Asset write-downs	**87**	174
Reserves	**(15)**	–
Restructuring and employee provisions	**11**	66
Fair value accounting for derivatives	**(127)**	(624)
Synthetic debt	**31**	13
Exploration, evaluation and development expenditures	**(126)**	(66)
Start-up costs	**(55)**	(53)
Profit on asset sales	**(20)**	(22)
Pension plans	**(109)**	(78)
Other post-retirement benefits	**(15)**	(49)
Mozal expansion rights debtor	**(39)**	(61)
Employee Share Plan loans	**(135)**	(59)
Change in fair value of listed investments	**10**	5
Deferred taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	**(1 559)**	(1 724)
Deferred taxation adjustments (including the deferred taxation effect of other adjustments)	**33**	288
Total adjustment	**4 669**	5 262
Shareholders' equity under US GAAP	**17 025**	16 602

(a) In addition to the fair value adjustments on acquisition of the BHP Billiton Plc Group indicated, various adjustments to the net assets of the BHP Billiton Plc Group to reflect US GAAP were also reported. These adjustments have been disclosed in aggregate with similar items relating to the BHP Billiton Limited Group.

Notes to Financial Statements continued

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following are the variations in the balance sheet as at 30 June 2002 and 2001 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 and 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.

	Unadjusted 2002 US$M	**Adjustments 2002 US$M**	**US GAAP 2002 US$M**	Unadjusted 2001 US$M	Adjustments 2001 US$M	US GAAP 2001 US$M
Balance Sheet						
Assets						
Current assets						
Cash assets	**1 413**	**–**	**1 413**	1 147	–	1 147
Receivables	**2 131**	**(251)**	**1 880**	2 120	(210)	1 910
Other financial assets	**116**	**–**	**116**	215	–	215
Inventories	**1 160**	**–**	**1 160**	1 375	159	1 534
Other assets	**100**	**93**	**193**	122	–	122
Total current assets – continuing operations	**4 920**	**(158)**	**4 762**	4 979	(51)	4 928
Total current assets – discontinued operations	**748**	**–**	**748**	738	–	738
Total current assets	**5 668**	**(158)**	**5 510**	5 717	(51)	5 666
Non-current assets						
Receivables	**882**	**(64)**	**818**	511	(188)	323
Investments accounted for using the equity method	**1 505**	**(2)**	**1 503**	1 236	–	1 236
Other financial assets	**489**	**1 034**	**1 523**	465	1 085	1 550
Inventories	**45**	**–**	**45**	61	–	61
Property, plant and equipment	**17 659**	**2 246**	**19 905**	16 964	2 844	19 808
Intangible assets	**42**	**3 180**	**3 222**	95	3 283	3 378
Deferred tax assets	**462**	**67**	**529**	442	216	658
Other assets	**796**	**(100)**	**696**	689	(69)	620
Total non-current assets – continuing operations	**21 880**	**6 361**	**28 241**	20 463	7 171	27 634
Total non-current assets – discontinued operations	**1 984**	**40**	**2 024**	1 809	123	1 932
Total non-current assets	**23 864**	**6 401**	**30 265**	22 272	7 294	29 566
Total assets	**29 532**	**6 243**	**35 775**	27 989	7 243	35 232
Liabilities and shareholders' equity						
Current liabilities						
Payables	**2 143**	**100**	**2 243**	1 988	318	2 306
Interest bearing liabilities	**1 884**	**(141)**	**1 743**	1 884	(141)	1 743
Tax liabilities	**498**	**–**	**498**	380	–	380
Other provisions	**1 009**	**(9)**	**1 000**	942	(64)	878
Total current liabilities – continuing operations	**5 534**	**(50)**	**5 484**	5 194	113	5 307
Total current liabilities – discontinued operations	**448**	**–**	**448**	375	–	375
Total current liabilities	**5 982**	**(50)**	**5 932**	5 569	113	5 682

	Unadjusted 2002 US$M	Adjustments 2002 US$M	US GAAP 2002 US$M	Unadjusted 2001 US$M	Adjustments 2001 US$M	US GAAP 2001 US$M
Balance Sheet continued						
Non-current liabilities						
Payables	**121**	**16**	**137**	144	185	329
Interest bearing liabilities	**6 329**	**(33)**	**6 296**	6 595	(51)	6 544
Tax liabilities	**1 364**	**1 593**	**2 957**	1 152	1 651	2 803
Other provisions	**2 661**	**33**	**2 694**	2 443	69	2 512
Total non-current liabilities – continuing operations	**10 475**	**1 609**	**12 084**	10 334	1 854	12 188
Total non-current liabilities – discontinued operations	**393**	**–**	**393**	366	–	366
Total non-current liabilities	**10 868**	**1 609**	**12 477**	10 700	1 854	12 554
Total liabilities	**16 850**	**1 559**	**18 409**	16 269	1 967	18 236
Equity minority interests	**326**	**15**	**341**	380	14	394
Shareholders' equity						
BHP Billiton Limited – contributed equity	**3 143**	**(628)**	**2 515**	3 039	(533)	2 506
BHP Billiton Plc – called up capital	**1 752**	**5 697**	**7 449**	1 752	5 699	7 451
Other equity items	**471**	**(247)**	**224**	530	(400)	130
Retained profits	**6 990**	**(153)**	**6 837**	6 019	496	6 515
Total shareholders' equity	**12 356**	**4 669**	**17 025**	11 340	5 262	16 602
Total liabilities and shareholders' equity	**29 532**	**6 243**	**35 775**	27 989	7 243	35 232

Notes to Financial Statements continued

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The BHP Billiton Group Statement of Consolidated 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 standard SFAS 95, Statement of Cash Flows. The principal differences between the standards relate to 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:

	2002 US$M	2001 US$M	2000 US$M
Reconciliation of Cash Flows			
Net cash inflow/outflow from operating activities in accordance with UK GAAP	**4 641**	4 805	4 444
Dividends received	**187**	193	150
Returns on investments and servicing of finance	**(375)**	(524)	(651)
Tax paid	**(515)**	(587)	(532)
Net cash provided by operating activities in accordance with US GAAP	**3 938**	3 887	3 411
Capital expenditures	**(2 671)**	(3 040)	(1 262)
Acquisition and disposals	**(38)**	(1 399)	458
Net (purchase)/sale of investments	**50**	(595)	(117)
Net cash used in investing activities in accordance with US GAAP	**(2 659)**	(5 034)	(921)
Proceeds from issuance of ordinary shares	**85**	937	132
(Decrease)/increase in interest bearing liabilities	**(324)**	982	(1 687)
Equity dividends paid	**(831)**	(801)	(395)
Net cash provided by financing activities in accordance with US GAAP	**(1 070)**	1 118	(1 950)
Exchange translation effects	**5**	(117)	73
Net (decrease)/increase in cash and cash equivalents in accordance with US GAAP	**214**	(146)	613
Cash and cash equivalents at beginning of period	**1 285**	1 431	818
Cash and cash equivalents at end of period	**1 499**	1 285	1 431
At year end cash and cash equivalents is made up of:			
Cash at bank and in hand	**1 199**	836	708
Money market deposits*	**300**	449	723
Cash and cash equivalents at end of period	**1 499**	1 285	1 431

* Money market deposits with financial institutions have a maturity up to but not more than three months.

Basis of presentation under US GAAP

Revenue recognition

SAB 101 'Revenue recognition in Financial Statements' became applicable to the BHP Billiton Group for the year ended 30 June 2001. The adoption of SAB 101 does not give rise to any differences in revenue recognition.

Debtors

In accordance with UK GAAP, certain debtors are included on the balance sheet, which are considered to have been sold and are not included on the balance sheet under US GAAP. The value of debtors at 30 June 2002 which were the subject of such treatment was US$141 million (2001: US$278 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 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.*

As disclosed in note 1, the BHP Billiton 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 the Richards Bay Minerals joint venture are embodied in the shareholder agreement between the BHP Billiton 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.

As disclosed in note 1, the BHP Billiton Group holds a 57.5 per cent ownership interest in Escondida, which is classified as a joint arrangement. In accordance with EITF 96-16, the BHP Billiton Group has not consolidated this investment. The substantive participating rights of the minority interests holder in the Escondida joint venture include the participation in selection, termination and compensation of management, approval of sales, expenditure, expansions, curtailments, borrowings, settlements and policies and procedures.

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

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 years ended 30 June 2001 and 30 June 2000.
This elimination is not applicable at 30 June 2002 or for subsequent post-acquisition periods.

Acquisition of BHP Billiton Plc

On 29 June 2001, BHP Billiton Limited and BHP Billiton Plc established a DLC merger. A full description of the DLC Merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements' 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 exercise 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 the resulting goodwill over the periods of their respective useful economic lives.

Notes to Financial Statements continued

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

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 that have advanced to a stage of development feasibility where management believes reasonable 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 increase in value of the long-term contracts was determined by attributing a fair value to certain long-term contracts, which were not accorded a value in the BHP Billiton Plc Group's financial statements.

(vi) Goodwill represents the remainder of unallocated purchase consideration. Goodwill is currently amortised over its expected useful economic life and in future years will be 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) Other differences between UK GAAP and US GAAP included adjustments for pensions, post-retirement benefits and start up costs.

(ix) Deferred taxes have been computed on the excess of fair value over book value, other than for goodwill, using the applicable statutory tax rates.

Preliminary 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. Minor revisions to the provisional fair values were undertaken in the year ended 30 June 2002. The revised values of assets and liabilities acquired compared to the provisional values are shown in the table below. Prior period fair value adjustments have not been restated for the revisions.

	Final US$M	Provisional US$M
Balance Sheet at 30 June 2001		
Current assets		
Cash assets	687	687
Receivables	883	883
Inventories	1 022	1 022
Other financial assets	132	132
Non-current assets		
Property, plant and equipment	11 567	11 540
Intangibles	3 307	3 278
Other financial assets	2 929	2 971
Current liabilities		
Payables	1 048	1 048
Interest bearing liabilities	1 300	1 300
Other provisions	221	221
Non-current liabilities		
Interest bearing liabilities	3 329	3 329
Tax liabilities	2 129	2 161
Other provisions	634	588
Equity minority interests	337	337
Net assets	11 529	11 529
Shareholders' equity		
Shareholders' equity	11 529	11 529

BHP Steel demerger

Under UK GAAP, the BHP Steel demerger is treated in two components – 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 is required to be 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.

Employee compensation costs

In these accounts, the expected cost of awards under various employee ownership plans is charged to the profit and loss account over the vesting period. Under US GAAP, compensation expense arising from variable equity award plans is recognised based on movements in their intrinsic value.

Depreciation

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.

Following smaller asset write-downs under US GAAP, the higher asset values under US GAAP are being depreciated in accordance with asset utilisation. Refer 'Asset write-downs' below.

Asset write-downs

At 31 May 1998, the BHP Billiton Limited Group changed its impairment test policy for determining the recoverable amount of non-current assets from an undiscounted to a discounted basis. 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.

These differences created adjustments to the profit and loss account in prior years representing the lower charge to profit and resultant higher asset values for the write-downs calculated 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. Refer ' Depreciation' above.

The movement in the shareholders' equity reconciliation in 2002 for this item largely reflects impacts of the BHP Steel demerger and has been included in that item in the income reconciliation. The charge to profit for the period ended 30 June 2000 reflects the additional write-off of the West Australian HBI plant for US GAAP.

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). The information contained in these statements differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. This adjustment reflects the impact on depreciation of the difference.

Restructuring and employee provisions

These 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.

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. The BHP Billiton Plc Group does not apply hedging principles in accordance with SFAS 133

Notes to Financial Statements continued

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

and marks to market all derivative instruments, taking movements in the fair value of derivative instruments to the profit and loss account.

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 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.

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 rand and the various foreign currencies. In these accounts, the arrangement is treated as a synthetic 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 loan amounts and forward exchange contracts are accounted for separately. Foreign loans are 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.

Realised net exchange gains on sale of assets/closure of operations

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.

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 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, amounts amortised (which have been expensed for US GAAP purposes) will be added back when determining the profit result according to US GAAP.

Costs of start-up activities

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.

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.

For the period ended 30 June 2000, the profit on the sale and leaseback of plant and equipment was deferred for US GAAP purposes and will be recognised over the life of the operating lease.

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 and resulted in changes in policy by the BHP Billiton Limited Group to conform with the BHP Billiton Plc Group in the year ended 30 June 2001. Previously, charges were taken to the profit and loss account as contributions were made to pension plans.

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 and the timing of recognition of expense components results in different periodic costs and pension assets or liabilities. In addition, any associated foreign exchange gains or losses are required to be eliminated from net income.

Post-retirement benefits

In these accounts, post-retirement benefits other than pensions have been accounted for in accordance with the provisions of SSAP 24, which are generally consistent with the provisions of SFAS 106 for the purposes of US GAAP except for certain scenarios such as in accounting for plan amendments.

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.

Mozal expansion rights

In June 2001, 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 these accounts, the consideration was recognised as revenue in the year ended 30 June 2001. A portion of the consideration will be paid in cash and another portion will be delivered to BHP Billiton 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 deferred consideration 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.

Change in UK corporate tax rate for petroleum companies

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 will not be recognised for US GAAP purposes until the legislation is enacted.
For 2002, an adjustment of US$61 million is reported in the item 'taxation adjustments'.

Purchase business combination costs

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

Expenses on spin-off of OneSteel Limited

Costs associated with completion of the spin-off of OneSteel Limited are recognised directly in equity for UK GAAP but are charged as expenses for US GAAP. Previously published financial statements incorrectly recognised these costs directly in equity. This change in accounting in the year ended 30 June 2001 decreased US GAAP net income by US$30 million, and decreased US GAAP earnings per share by US$0.008 per share.

Restoration and rehabilitation costs

Under UK GAAP, the expected cost of any committed decommissioning or restoration program, discounted to its net present value, is provided and capitalised at the beginning of each project. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision as the discount unwinds is included in net interest and similar items payable. Under UK GAAP, this policy has been adopted for all periods presented. In fiscal 2000 and prior years, the provision was determined under US GAAP on an undiscounted basis and the charge to profit was generally based on units of production, so that full provision was made by the end of the assets' economic life.

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 is higher under US GAAP, and this is reflected in higher goodwill capitalised and amortised in accordance with US GAAP. The spin-off of OneSteel Limited eliminated this reconciling item.

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.

Investments

Under UK GAAP certain unlisted investments are marked to market annually based on third party valuations. The increase/(decrease) in the value of the investments is recognised in the profit and loss account. Under US GAAP such investments are adjusted to reflect the increase in guaranteed surrender value of the investment, but are not permitted to be marked to market.

Under UK GAAP certain investments in marketable securities are classified as exploration assets and are carried at estimated recoverable amount. Under US GAAP, such investments are classified as available for sale and are marked to market with changes in fair value recognised as a component of comprehensive income.

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 the 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.

Taxation adjustments

In these accounts, potential tax expense of US$47 million has not been recognised in 2002, 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. This adjustment is reported in the item 'taxation adjustments'.

Notes to Financial Statements continued

34 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

(B) Employee compensation costs

The BHP Billiton Group has applied the principles of US Accounting Principles Board Opinion No. 25 in the determination of employee compensation costs arising from the various employee ownership plans. Had the fair value basis of accounting in US Statement of Financial Accounting Standards No. 123 been used to account for compensation costs, the following net income and earnings per share amounts would result:

	2002 US$M	2001 US$M	2000 US$M
Net income			
As reported	**1 127**	882	400
Proforma	**1 102**	897	400
Basic earnings per share (a) (b)			
As reported	**0.187**	0.239	0.109
Proforma	**0.183**	0.243	0.109
Diluted earnings per share (b) (c)			
As reported	**0.187**	0.238	0.109
Proforma	**0.182**	0.242	0.109

(a) Based on net profit attributable to members of BHP Billiton Group.
(b) Comparative data has been adjusted to take into account the bonus share issue effective 29 June 2001. Refer note 23.
(c) Refer note 12.

(C) Impact of new accounting standards

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141: Business Combinations (SFAS141) and Statement of Financial Accounting Standards No. 142: Goodwill and Other Intangible Assets (SFAS142). In August 2001, the FASB also issued Statement of Financial Accounting Standards No. 143: Accounting for Asset Retirement Obligations (SFAS143) and Statement of Financial Accounting Standards No. 144: Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS144). In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146: Accounting for Costs Associated with Exit or Disposal Activities (SFAS146).

For the purpose of deriving US GAAP financial information of the BHP Billiton Group, SFAS141 applies to purchase business combinations entered into after 30 June 2001. SFAS142 , SFAS143 and SFAS144 will apply for the year ending 30 June 2003 while SFAS146 is effective for exit or disposal activities initiated after 31 December 2003. The BHP Billiton Group has not adopted any of these standards early for the purpose of the June 2002 financial statements.

SFAS141 changes the accounting for business combinations to a single purchase accounting method. SFAS141 also changes the recognition criteria for intangible assets other than goodwill, and expands disclosure requirements in relation to business combinations. SFAS142 changes the accounting for acquired goodwill and other intangible assets by requiring that goodwill and intangible assets with indefinite useful lives not be amortised. Under SFAS142, the carrying amount of such assets will be subject to impairment tests at least on an annual basis. SFAS143 changes accounting for the retirement of tangible long-lived assets by requiring that the fair value of legal obligations associated with the retirement of such assets be recognised as a liability and capitalised as part of the cost of those assets. SFAS144 requires one accounting model to be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and will broaden the presentation of discontinued operations to include more disposal transactions. SFAS146 requires that costs associated with exit or disposal activities be recognised when they are incurred rather than at the date of a commitment to an exit or disposal plan.

The BHP Billiton Group has not evaluated the potential impact of any of these new standards on its future financial performance or financial position.

35 SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

Oil and gas reserves and production

Reserves

The table below details our oil, condensate, LPG and gas reserves, estimated at 30 June 2002, 30 June 2001 and 30 June 2000 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 specified in Statement of Financial Accounting Standard 69 to demonstrate their commerciality under prices and costs existing at the time of the estimates. Our reserves include certain quantities of oil, condensate and LPG which will be produced under arrangements that involve us in upstream risks and rewards but do not transfer ownership of the products to us. 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 1999	475.5	23.3	85.2	584.0
Improved recovery	–	–	–	–
Revisions of previous estimates	26.0	(0.1)	4.3	30.2
Extensions and discoveries	19.9	9.4	11.4	40.7
Purchase/sales of reserves	(8.7)	(0.1)	–	(8.8)
Production [b]	(74.4)	(3.9)	(10.8)	(89.1)
Total changes	(37.2)	5.3	4.9	(27.0)
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**
Proved developed oil, condensate and LPG reserves [a]				
Reserves at 1 July 1999	335.8	14.5	48.5	398.8
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**

[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.

Notes to Financial Statements continued

35 SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED) continued

(billions of cubic feet)	Australia/Asia[a]	Americas	UK/Middle East	Total
Proved developed and undeveloped natural gas reserves				
Reserves at 30 June 1999	3 828.9	125.2	844.7	4 798.8
Improved recovery	–	–	–	–
Revisions of previous estimates	280.5	–	7.3	287.8
Extensions and discoveries	206.6	35.2	–	241.8
Purchases/sales of reserves	–	(2.7)	(79.1)	(81.8)
Production [b]	(173.1)	(15.3)	(67.9)	(256.3)
Total changes	314.0	17.2	(139.7)	191.5
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**
Proved developed natural gas reserves				
Reserves at 1 July 1999	2 349.7	116.5	612.8	3 079.0
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**

[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.

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.

	2002 US$M	2001 US$M
Capitalised cost		
Unevaluated properties	**234**	272
Production properties	**7 576**	6 253
Total costs (a)(b)	**7 810**	6 525
less Accumulated depreciation, depletion and amortisation and impairments (a) (b)	**(3 944)**	(3 052)
Net capitalised costs(c)	**3 866**	3 473

(a) Includes US$286 million (2001: US$286 million; 2000: US$336 million) attributable to prior year revaluations of fixed assets above historical costs and related accumulated amortisation thereof of US$222 million (2001: US$217 million).
(b) Includes US$61 million (2001: US$54 million) attributable to capitalised exploration, evaluation and development expenditures which would be expensed under US GAAP and related accumulated amortisation thereof of US$23 million (2001: US$22 million).
(c) Net capitalised costs include capitalised pre-production costs of US$479 million (2001: US$338 million), comprising exploration expenditure of US$137 million (2001: US$61 million), development expenditure of US$317 million (2001: US$277 million) and investments of US$25 million (US$nil).

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
2002				
Acquisitions of proved property	**–**	**–**	**–**	**–**
Acquisitions of unevaluated property	**–**	**20**	**–**	**20**
Exploration (a)	**28**	**194**	**46**	**268**
Development	**236**	**186**	**289**	**711**
	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
	150	313	203	666
2000				
Acquisitions of proved property	–	–	–	–
Acquisitions of unevaluated property	–	2	–	2
Exploration (a)	21	108	26	155
Development	192	52	55	299
	213	162	81	456

(a) Represents gross exploration expenditure.

Notes to Financial Statements continued

35 SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED) 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 for windfall profit taxes (these are included in operating costs). 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
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, amortisation [(a)]	**(230)**	**(142)**	**(199)**	**(571)**
Production taxes	**(446)**	**(12)**	**(5)**	**(463)**
Other, net [(b)]	**–**	**–**	**–**	**–**
	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)]	181	15	2	198
	1 320	(18)	283	1 585
Income taxes	(424)	34	(89)	(479)
Results of oil and gas producing activities [(c)]	896	16	194	1 106
2000				
Oil and gas sales	2 053	127	461	2 641
Production costs	(253)	(42)	(109)	(404)
Exploration expenses [(a)]	(25)	(79)	(17)	(121)
Depreciation, depletion and amortisation [(a)]	(293)	(35)	(186)	(514)
Production taxes	(481)	–	(4)	(485)
Other, net [(b)]	67	–	36	103
	1 068	(29)	181	1 220
Income taxes	(361)	9	(45)	(397)
Results of oil and gas producing activities [(c)]	707	(20)	136	823

(a) Exploration expenses exclude capitalised exploration, evaluation and development expenditures of US$6 million (2001: US$5 million; 2000: US$5 million) which would have been expensed under US GAAP. In a related manner, depreciation is higher in 2002 by US$1 million (2001: US$2 million; 2000: US$2 million) than that required under US GAAP.

(b) Predominantly includes the effect of a change in policy for providing expenditure for restoration and rehabilitation. At 30 June 2001, this policy was changed such that a provision for full cost expected to be incurred at the end of the life of each asset on a discounted to net present value basis is recognised at the beginning of each project and capitalised as part of the cost of the asset. The capitalised cost is amortised over the life of the operation and the annual increase in the net present value of the provision for the expected cost is included in expenses from ordinary activities.

(c) Amounts shown exclude general corporate overheads, interest income and borrowing costs, and downstream processing of oil and gas into products for resale and, accordingly, do not represent all of the operations attributable to the petroleum segment presented in note 4. There are no equity minority interests.

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

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 of discounted future net cash flows (unaudited)				
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 (a) (b)	**(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 (a) (b)	(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

Notes to Financial Statements continued

35 SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED) continued

	Australia/Asia US$M	Americas US$M	UK/Middle East US$M	Total US$M
Standardised Measure of discounted future net cash flows (unaudited) continued				
2000				
Future cash inflows	21 243	985	3 822	26 050
Future production costs	(7 558)	(182)	(1 023)	(8 763)
Future development costs (a) (b)	(1 385)	(128)	(304)	(1 817)
Future income taxes	(3 717)	(223)	(635)	(4 575)
Future net cash flows	8 583	452	1 860	10 895
Discount at 10% per annum	(4 667)	(130)	(578)	(5 375)
Standardised Measure	3 916	322	1 282	5 520

(a) Total future dismantlement, abandonment and rehabilitation obligations at 30 June 2002 are estimated to be US$402 million (2002) 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$1 052 million (2003), US$988 million (2004) and US$587 million (2005).

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.

	2002 US$M	2001 US$M	2000 US$M
Changes in the Standardised Measure of discounted future net cash flows (unaudited)			
Standardised Measure – beginning of period	**5 409**	5 520	2 767
Revisions:			
Prices, net of production costs	**342**	(201)	4 086
Revisions of quantity estimates (a)	**599**	(27)	424
Accretion of discount	**781**	772	429
Changes in production timing and other (b)	**(1 136)**	427	(236)
	5 995	6 491	7 470
Sales of oil and gas, net of production costs	**(1 941)**	(2 096)	(1 463)
Acquisitions of reserves-in-place	**–**	70	–
Sales of reserves-in-places (c) (d)	**–**	(24)	(60)
Development costs incurred which reduced previously estimated development costs	**656**	323	207
Extensions and discoveries, net of future costs	**778**	464	430
Changes in future income taxes	**(8)**	181	(1 064)
Standardised Measure – end of period	**5 480**	5 409	5 520

(a) Changes in reserves quantities are discussed in the notes to the Oil & Gas Reserves.
(b) Includes the effect of foreign exchange.
(c) Reflects the sale of Buffalo oil field in Northern Australia on 30 March 2001.
(d) Reflects the sale of PNG assets in December 1999.

Production

The table below details the Petroleum businesses' historical net crude oil and condensate, natural gas, LNG, LPG and ethane production by region for the two years ended 30 June 2002 and 2001. Volumes and tonnages of marketable production are shown after deduction of applicable royalties, fuel and flare. Included in the table average production are costs per unit of production and average sales prices for oil and condensate and natural gas for each of those periods.

	2002	2001
Crude oil and condensate production (millions of barrels)		
Australia/Asia	**56.2**	64.3
Americas	**9.0**	3.7
Europe/Middle East	**13.3**	11.1
Total	**78.5**	79.1
Natural gas production [(a)] (billions of cubic feet)		
Australia/Asia	**126.0**	115.5
Americas	**25.2**	21.3
Europe/Middle East	**72.7**	68.3
Total	**223.9**	205.1
Liquefied natural gas (LNG) production [(b)] (thousand tonnes)		
Australia/Asia (leasehold production)	**1 298.8**	1 241.8
Liquefied petroleum gas (LPG) production [(c)] (thousand tonnes)		
Australia/Asia (leasehold production)	**551.4**	582.1
Europe/Middle East (leasehold production)	**85.6**	91.5
Total	**637.0**	673.6
Ethane production (thousand tonnes)		
Australia/Asia (leasehold production)	**87.1**	67.4
Average sales price		
Oil and Condensate (US$ per barrel) [(d)]	**22.58**	29.39
Natural gas (US$ per thousand cubic feet)	**1.84**	1.73
Average production cost [(e)]		
US$ per barrel of oil equivalent (including resource rent tax and other indirect taxes)	**5.83**	8.19
US$ per barrel of oil equivalent (excluding resource rent tax and other indirect taxes)	**2.38**	2.48

(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) Oil and condensate prices net of commodity hedging were US$22.58 (2001: US$28.04; 2000: US$22.86).
(e) 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.

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED)

The statement of Mineral Resources and Ore Reserves presented in this report has been produced in accordance with the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the 'JORC Code'). Commodity prices and exchange rates used to estimate the economic viability of reserves are based on March 2002, BHP Billiton long-term forecasts unless otherwise stated. The Ore Reserves tabulated are all held within existing, fully permitted mining tenements. The BHP Billiton Groups' mineral 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.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC code) or for operations located outside Australia by Recognised Mining Professionals, defined as a member of a recognised mining professional body. All Competent Persons and Recognised Mining Professionals have at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC code. Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures presented are reported in 100 per cent terms, and represent estimates at 30 June 2002 (unless otherwise stated). All tonnes and grade information has been rounded, hence small differences may be present in the totals. All of the Mineral Resource information (unless otherwise stated) is inclusive of Mineral Resources that have been converted to Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

The information contained herein differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. BHP Billiton's US GAAP disclosures reflect the information reported to the SEC.

Ore Reserves and Mineral Resources are presented in the accompanying tables subdivided for each of the Customer Sector Groups.

Aluminium Customer Sector Group

Mineral Resources

The table below details the Mineral Resources for the Aluminium Customer Sector Group as at 30 June 2002, and is presented in 100 per cent terms.

Bauxite Deposits	Measured Resources Tonnes (millions dmt)	Measured Resources Alumina[4] %	Indicated Resources Tonnes (millions dmt)	Indicated Resources Alumina[4] %	Inferred Resources Tonnes (millions dmt)	Inferred Resources Alumina[4] %	Total Resources Tonnes (millions dmt)	BHP Billiton Interest %
Australia [1]								
Worsley	309	30.7	143	32.8	93	33.0	545	86
Suriname [2]								
Lelydorp & Kankanrie	11.97	59.5	16.37	58.0	–	–	28.3	76
Brazil [3][5]								
MRN Crude	36.2	–	206.5	–	859.7	–	1 102	
MRN Washed	25.7	48.8	150.7	51.0	601.1	50.4	777	14.8

(1) Worsley resource numbers are quoted on a dry basis, Competent Person is D Parmenter (MAIG).
(2) Suriname, resource numbers are quoted on a dry basis, Competent Person is D L Butty (EuroGeol).
(3) Resource tonnages for MRN washed are quoted with nominal five per cent moisture, Competent Person is V J van der Riet (MAusIMM).
(4) Alumina as available alumina for Worsley and MRN; and total alumina for Lelydorp.
(5) MRN – Mineracao Rio do Norte

Aluminium Customer Sector Group continued

Ore Reserves

The table below details the Ore Reserves for the Aluminium Customer Sector Group as at 30 June 2002, and is presented in 100 per cent terms.

Reserves (1)(2)(3)(4)	Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserve		BHP Billiton Interest
Deposit	Tonnes (millions)	Grade% Alumina	Tonnes (millions)	Grade% Alumina	Tonnes (millions)	Grade% Alumina	%
Australia (5)							
Worsley	305	30.7	12	30.9	317	30.7	86
Suriname (6)							
Lelydorp	11.4	52.5	–	–	11.4	52.5	76
Brazil							
MRN (7) Crude	36.2	–	172.7	–	208.9	–	
MRN (7) Washed	25.7	48.8	125.4	50.9	151.1	50.6	14.8

(1) Mine dilution and recovery are included in the ore reserve statements for each deposit.
(2) Alumina as available alumina.
(3) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserves	Probable Ore Reserves
Worsley	100m or less grid spacing	200m or less grid spacing
Lelydorp	61.5m x 61.5m	No reserve quoted in this category.
MRN	200m grid spacing or less with mining and metallurgical characterisation (test pit/ bulk sample) plus a reliable suite of chemical and size distribution data.	< 400m grid spacing or 400m spaced grid with a 200m offset fill-in plus a reliable suite of chemical and size distribution data.

(4) No third party audits have been undertaken on the quoted ore reserve.
(5) Worsley Alumina Pt Ltd (Worsley) reserve tonnages are quoted on a dry basis; Competent Person is D Parmenter (MAIG).
(6) Worsley and Lelydorp reserve tonnages are quoted on a dry basis, Competent Person is D L Butty (EuroGeol).
(7) Mineracao Rio do Norte (MRN) washed reserve tonnages and grades are quoted on a nominal five per cent moisture content basis, Competent Person is V J van der Riet (MAusIMM).

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Base Metals Customer Sector Group

Mineral Resources

Details of the Mineral Resources for the Base Metals Customer Sector group as at 30 June 2002 (unless otherwise stated), and are presented in the table below in 100 per cent terms.

Commodity Deposit	Type	Measured Resources Tonnes (millions dmt)	Grade				Indicated Resources Tonnes (millions dmt)	Grade			
			%TCu	%SCu	g/tAu			%TCu	%SCu	g/tAu	
Copper											
Escondida (1)	Sulphide	738	1.46	–	–		900	1.01	–	–	
	Low-grade float	180	0.60	–	–		559	0.60	–	–	
	Low-grade leach	175	0.48	–	–		210	0.41	–	–	
	Mixed	20	1.49	0.45	–		44	0.61	0.21	–	
	Oxide	149	–	0.76	–		67	–	0.48	–	
Escondida Norte (2)	Sulphide	89	1.81	–	–		485	1.30	–	–	
	Low-grade float	9.4	0.62	–	–		344	0.58	–	–	
	Mixed	4.7	0.83	0.26	–		31	0.88	0.31	–	
	Oxide	12	–	0.55	–		97	–	0.86	–	
Pinto Valley (3)	Pinto Valley unit	633	0.20	–	–		12	0.39	–	–	
	In situ leach	174	0.33	–	–		40	0.32	–	–	
Robinson (4)	Tripp-Veteran	183	0.66	–	0.25		28	0.60	–	0.15	
	Ruth	145	0.55	–	0.15		25	0.49	–	0.15	
Tintaya (5)	Sulphides	96	1.41	–	0.24		16	1.32	–	0.21	
	Oxide	31	1.62	1.28	–		12	1.30	0.96	–	
Cerro Colorado	Oxides	10	0.68	0.50	–		126	0.75	0.59	–	
	Sulphides	6	0.95	0.12	–		75	0.86	0.11	–	
	Stockpiles	4	0.45	0.29	–		–	–	–	–	
Spence	Oxide	43	1.31	0.98	–		36	1.03	0.77	–	
	Leachable sulphide	107	1.39	0.18	–		123	0.93	0.14	–	
	Non-leachable sulphide	102	0.57	0.03	–		86	0.51	0.02	–	
		Tonnes (millions dmt)	Grade %TCu	%Mo			Tonnes (millions dmt)	Grade %TCu	%Mo		
Highland Valley	Sulphides	270	0.41	0.008			53	0.44	0.006		
		Tonnes (millions dmt)	Grade %TCu	%Zn	g/tAg	%Mo	Tonnes (millions dmt)	Grade %TCu	%Zn	g/tAg	%Mo
Antamina	Sulphides	321	1.23	0.98	13.4	0.034	283	1.06	0.89	12.1	0.028
		Tonnes (millions dmt)	Grade %Zn	g/tAg	%Cu	g/tAu	Tonnes (millions dmt)	Grade g/tAu	g/tAg	%Cu	g/tAu
Selbaie	Pit D and Stockpiles (Sulphides)	6.2	1.22	22	0.3	0.24	–	–	–	–	–
Silver Lead Zinc		Tonnes (millions dmt)	Grade g/tAg	%Pb	%Zn		Tonnes (millions dmt)	Grade g/tAg	%Pb	%Zn	
Cannington (6)	Sulphides	8.9	538	12.15	6.01		21.5	528	12.12	4.21	
Pering (7)	Sulphides	2.88	–	0.38	1.96		1.01	–	0.58	1.44	

(1) The Escondida deposit is a supergene-enriched porphyry copper deposit. A significant increase in the total Mineral Resource reported is due to changes in the cut-off grades applied and inclusion of leachable low-grade sulphide material (supergene sulphide material in the grade range 0.3 ≤ cut–off < 0.5 per cent TCu). This material is currently being stockpiled and can be processed in a future run-of-mine sulphide bio-leach operation (currently under pre-feasibility study). The previously reported material type 'Low Grade', which was sulphide material suitable for the flotation process with grades of between 0.53 per cent and 0.70 per cent TCu, has now been renamed 'LG Float'. This material has a copper grade below the current concentrator cut-off grade, but above a revised break-even cut-off grade 0.5 per cent. This material is being stockpiled, and could be rehandled and processed through the concentrator at the end of mining. The significant reduction in Mixed and Oxide materials compared to the previous statements results from revised geological interpretation. Stockpiled material above respective cut-off grades is included as Measured Resource.

(2) Change in the Mineral Resource tonnages compared to the previous statement results from a combination of additional drill information, a new geological model, revised grade estimation and resource classification methodology and revision of cut-off grades based on new economic parameters.

(3) The Pinto Valley Mineral Resource is based on the milling and flotation of copper sulphides from ore-grade rock and acid leaching and SXEW of copper from lower grade sulphide bearing rock.

Inferred Resources Tonnes (millions dmt)	Grade %TCu	Grade %SCu	Grade g/tAu	Total Resources 2002 Tonnes (millions dmt)	Grade %TCu	Grade %SCu	Grade g/tAu	BHP Billiton Interest %
544	0.93	–	–	2 182	1.14	–	–	57.5
669	0.59	–	–	1 409	0.59	–	–	57.5
273	0.41	–	–	658	0.43	–	–	57.5
48	0.72	0.20	–	113	0.81	0.25	–	57.5
64	–	0.52	–	280	–	0.64	–	57.5
75	0.96	–	–	649	1.33	–	–	57.5
289	0.57	–	–	642	0.58	–	–	57.5
6.6	0.46	0.12	–	43	0.81	0.27	–	57.5
33	–	0.66	–	142	–	0.79	–	57.5
1	0.39	–	–	646	0.20	–	–	100
–	–	–	–	214	0.33	–	–	100
6	0.49	–	0.07	217	0.65	–	0.23	100
15	0.44	–	0.09	185	0.53	–	0.15	100
27	1.33	–	0.19	139	1.39	–	0.23	99.9
3	1.74	1.03	–	46	1.55	1.18	–	99.9
9	0.74	0.59	–	145	0.74	0.58	–	100
5	0.79	0.12	–	86	0.87	0.11	–	100
–	–	–	–	4	0.45	0.29	–	100
1	1.05	0.81	–	80	1.18	0.88	–	100
1	0.88	0.18	–	231	1.15	0.16	–	100
2	0.42	0.02	–	190	0.54	0.03	–	100

Tonnes (millions dmt)	Grade %TCu	Grade %SCu	Tonnes (millions dmt)	Grade %TCu	Grade %Mo	
–	–	–	323	0.41	0.008	33.6

Tonnes (millions dmt)	Grade %TCu	Grade %Zn	Grade g/tAg	Grade %Mo	Tonnes (millions dmt)	Grade %TCu	Grade %Zn	Grade g/tAg	Grade %Mo	
37	0.77	1.01	12.8	0.014	641	1.13	0.95	12.8	0.028	33.75

Tonnes (millions dmt)	Grade g/tAu	Grade g/tAg	Grade %Cu	Grade g/tAu	Tonnes (millions dmt)	Grade %Zn	Grade g/tAg	Grade %Cu	Grade g/tAu	
–	–	–	–		6.2	1.22	22	0.3	0.24	100

Tonnes (millions dmt)	Grade g/tAg	Grade %Pb	Grade %Zn	Tonnes (millions dmt)	Grade g/tAg	Grade %Pb	Grade %Zn	
10.8	375	9.14	3.84	41.1	490	11.35	4.50	100
–	–	–	–	3.89	–	0.43	1.83	100

(4) BHP Copper North America ceased operations at the Robinson Mine Site on 24 June 1999. Recent resource changes are a result of an external audit.

(5) BHP holds a 99.9 per cent interest in Tintaya, an open-pit copper mine in southern Peru. The remaining interest is held by Peruvian shareholders.

(6) The Cannington Ag-Pb-Zn deposit is a Broken Hill Type (BHT) deposit located in the Eastern Succession of the Mt Isa inlier. Results from ongoing underground diamond drilling and geological interpretation have seen the upgrading of Inferred Resource to Indicated and Indicated to Measured.

(7) The Pering resource estimate is as at 1 January 2002, and as has been announced the mine will close in approximately six months.

(8) **Competent Persons – Resources**
Escondida: Dr J M Gilligan (MAusIMM)
Pinto Valley & Robinson: J Gage (MAusIMM)
Tintaya: P Dupree (MAusIMM)
Cerro Colorado: T John (APEGBC)
Spence: A Cerda (IIMC)
Highland Valley: R Kintzi (APEGBC)
Antamina: G Stothart (APEGNB)
Selbaie: D Adam (CIM/OGQ)
Cannington: A Edwards (MAusIMM)
Pering: B S A Wiggett (SACNASP)

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Base Metals Customer Sector Group continued

Ore Reserves

The table below details our copper, zinc, silver, and lead reserves (in metric tonnes, unless stated otherwise), estimated as at 30 June 2002.

Base Metals Deposit	Ore type	Proved Ore Reserve					Probable Ore Reserve					Total Ore Reserve					BHP Billiton Interest %
		Tonnes (millions)	Grade %TCu[5]	%SCu[5]	g/tAu		Tonnes (millions)	Grade %TCu	%SCu	g/tAu		Tonnes (millions)	Grade %TCu	%SCu	g/tAu		
Copper																	
Escondida [6]	Sulphide	723	1.49	–	–		845	1.04	–	–		1 568	1.24	–	–		57.5
	Low grade float	161	0.60	–	–		421	0.60	–	–		582	0.60	–	–		57.5
	Mixed	20	1.49	0.45	–		30	0.71	0.24	–		50	1.02	0.33	–		57.5
	Oxide	149	–	0.76	–		59	–	0.50	–		208	–	0.69	–		57.5
Tintaya [7]	Sulphide	56	1.41	–	0.25		3	1.30	–	0.21		59	1.40	–	0.25		99.9
	Oxide	23	1.68	1.37	–		11	1.29	0.96	–		34	1.55	1.24	–		99.9
Cerro Colorado	Oxide and sulphide	20	0.71	0.34	–		202	0.79	0.41	–		222	0.78	0.40	–		100
Alumbrera[8]	Sulphide	329	0.51	–	0.59		42	0.55	–	0.64		370	0.51	–	0.60		25
		Tonnes (millions)	Grade %TCu	%Mo			Tonnes (millions)	Grade %TCu	%Mo			Tonnes (millions)	Grade %TCu	%Mo			
Highland Valley	Sulphide	270	0.41	0.008			53	0.44	0.006			323	0.41	0.008			33.6
		Tonnes (millions)	%TCu	%Zn	Grade g/tAg	%Mo	Tonnes (millions)	%TCu	%Zn	Grade g/tAg	%Mo	Tonnes (millions)	%TCu	%Zn	Grade g/tAg	%Mo	
Copper Zinc Antamina	Sulphide	297	1.29	1.05	14.2	0.030	246	1.15	0.98	13.1	0.028	543	1.22	1.02	13.7	0.029	33.75
		Tonnes (millions)	%Zn	g/tAg	Grade %Cu	g/tAu	Tonnes (millions)	%Zn	g/tAg	Grade %Cu	g/tAu	Tonnes (millions)	%Zn	g/tAg	Grade %Cu	g/tAu	
Selbaie	Pit D and Stockpiles (Sulphide)	6.2	1.22	22	0.3	0.24	–	–	–	–	–	6.2	1.22	22	0.3	0.24	100
		Tonnes (millions)	g/tAg	Grade %Pb	%Zn		Tonnes (millions)	g/tAg	Grade %Pb	%Zn		Tonnes (millions)	g/tAg	Grade %Pb	%Zn		
Silver Lead Zinc Cannington	Sulphide	7.5	487	10.96	5.27		18.7	469	10.5	3.51		26.2	474	10.63	4.02		100
Pering [9]	Sulphide	2.88	–	0.38	1.96		1.01	–	0.58	1.44		3.89	–	0.43	1.83		100

(1) All reserves quoted are diluted and include mining recovery.

(2) Metallurgical recoveries for the operations are:

% Metallurgical Recovery	TCu	SCu	Zn	Pb	Ag	Au	Mo
Escondida Sulphide	81-86	88					
Escondida Mixed/Oxide	39						
Tintaya Sulphide	87.2				59.4	65.7	
Oxide		78.0					
Cerro Colorado	80.0						
Alumbrera	Variable						
Highland Valley	90.0						
Antamina	88.5-95.1		0-86.4		65-90		0-70
Selbaie	76.4		73.5		62.8	65.6	
Cannington			71	78	88		
Pering			87.5	70.0			

Base Metals Customer Sector Group continued

Ore Reserves continued

(3) Approximate drill hole spacings used to classify the reserves are:

	Proved Ore Reserves	Probable Ore Reserves
Escondida	65 x 65m to 75 x 75m depending on geological domain and ore type	80 x 60m to 140 x 140m depending on geological domain and ore type
Tintaya Sulphide	30m to 34m drill spacing, minimum 2 holes	45m to 51m drill spacing
Cerro Colorado	35m grid spacing	77m to 105m grid spacing depending on domain
Alumbrera	Block kriging variance used, approx. 100m spacing or less	Block kriging variance used, approx. > 100m spacing
Highland Valley	Valley area 110m spacing Lornex area 104m spacing Overall 108m spacing	Valley area 136m spacing Lornex area 117m spacing Overall 127m spacing
Antamina	3 holes within 55m and closest within 40m	Variable between domains, approximately 2 to 3 holes within 55m to 100m and closest within 25 to 55m
Selbaie	Ore reserves surrounded by mined area	Optimised pit design done, feasibility study positive
Cannington	12.5m x 15m spacing or less	25m x 25m spacing
Pering	< 25m grid spacing	25m grid spacing

(4) Third party reserve audits have been undertaken on each of the reserves in the past three years: except for Antamina, Selbaie, and Pering.

(5) %TCu – per cent total copper, %SCu – per cent soluble copper.

(6) Change in the Ore Reserve tonnages during the year results from depletion through production; changes in the geological model; more rigorous resource classification; change in recovery factors due to the implementation of new long-term metallurgical performance predictive models; and recalculation of economic pit shells and associated cut-off grades, using a combination of copper price and cost scenarios applicable to the expanded Escondida operation. Low Grade Ore is now renamed 'LG Float Ore', a Mixed Ore reserve is reported for the first time, reflecting inclusion of this ore stream in the mine plan; Mixed Ore initially will be processed though the existing Oxide leach facilities. Measured resource for Mixed has been downgraded to Probable reserve to reflect uncertainty in some of the modifying factors. Ore reserves quoted are generated using Measured, Indicated and Inferred resources for Sulphide and Oxide material types only. This practice allows the maximum size of the pit to be used in strategic mine planning activities and reasonably reflects the future mining potential of the deposit, subject to future infill drilling. Reported Proved and Probable Reserves are derived from Measured and Indicated resources only within the Ultimate Pit, after modifying factors have been applied. The ultimate pit obtained by removal of Inferred resources from the pit optimisation is smaller, and as a result has a lower reserve base. Proved and Probable Reserves in this smaller pit are reduced to: Sulphide Ore: 1 443 Mt at 1.25 per cent TCu, LG Float Ore: 456 Mt at 0.60 per cent TCu, Mixed Ore: 45 Mt at 1.08 per cent TCu and 0.46 per cent SCu, and Oxide Ore: 202 Mt at 0.70 per cent SCu. Stockpiled material above respective cut-offs is included as Proved Ore.

(7) Tintaya Sulphide production was temporarily halted in November 2001 as a reaction to oversupply in the global copper market, and the oxide operation was commissioned during the year.

(8) The mining and processing of 29.5 million tonnes of ore during the year depleted the Ore Reserve. A new pit design and phase sequencing has added 15.6 million tonnes at 0.5 per cent Cu and 0.5 g/t Au to the Ore Reserve. The Proved Reserve includes 104.4 million tonnes at 0.4 per cent Cu, 0.4 g/t Au of Medium and Low-Grade material stockpiled for future treatment. Identified Mineral Resources are estimated using Ordinary Kriging interpolation to a geologically constrained block model from an assay database comprising some 53 000 metres of diamond drilling and 14 000 metres of reverse circulation drilling. Ore Reserves are based on a life-of-mine production schedule generated from pit optimisation studies on the resource block model and are reported on the basis of a payable copper equivalent cut-off grade of 0.28 per cent, with the equivalent grade taking into account copper and gold grades and metallurgical recoveries. The recoverable copper equivalent grade of 0.28 per cent represents in situ copper and gold grades generally in the range of 0.15 per cent Cu, 0.40 g/t Au to 0.25 per cent Cu, 0.24 g/t Au. Mineralisation outside the current life-of-mine plan ultimate pit shell is no longer reported as Mineral Resource additional to the Ore Reserve. On current projections of likely technical and economic conditions, reasonable prospects for mining to extend outside the LOM ultimate pit are not considered to exist. Consequently, this mineralisation is no longer reported, in compliance with 1999 JORC Code and Guidelines. Primary sulphide mineralisation comprises disseminated, vein and fracture controlled chalcopyrite in altered Dacite and Andesite host rocks, with chalcocite and covellite in the enriched zone.

(9) The Pering reserve estimate is as at 1 January 2002. The reserves include stockpile material totalling 0.04Mt at 1.15 per cent Zn and 0.52 per cent Pb, and as has been announced the mine will close in approximately six months.

(10) **Competent Persons – Reserves**
Escondida: Dr J M Gilligan (MAusIMM)
Tintaya: P Dupree (MAusIMM)
Cerro Colorado: T John (APEGBC)
Alumbrera: D Keough (MAusIMM)
Highland Valley: R Kintzi (APEGBC)
Antamina: G Stothart (APEGNB)
Selbaie: D Adam (CIM/OGQ)
Cannington: K Sommerville (MAusIMM); P Balka (MAusIMM)
Pering: B S A Wiggett (SACNASP)

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Carbon Steel Materials Customer Sector Group

The tables below detail iron ore, metallurgical coal and manganese Mineral Resources (in metric tonnes), estimated in 100 per cent terms as at 30 June 2002. All resource figures are total Mineral Resources inclusive of material converted to Ore Reserves.

Iron Ore Mineral Resources

		Measured Resources			Indicated Resources			Inferred Resources			Total Resources 2002			BHP Billiton
Commodity	Ore Type	Tonnes (millions)	Grade %Fe	Grade %P	Tonnes (millions)	Grade %Fe	Grade %P	Tonnes (millions)	Grade %Fe	Grade %P	Tonnes (millions)	Grade %Fe	Grade %P	Interest %
Iron Ore (1)(2)(3)														
Newman JV	BKM	936	63.3	0.07	327	62.6	0.08	165	59.9	0.11	1 429	62.8	0.08	85
	MM	191	61.0	0.07	85	59.8	0.06	652	59.2	0.07	928	59.6	0.07	85
Jimblebar	BKM	310	61.1	0.07	114	61.3	0.10	752	61.5	0.13	1 176	61.4	0.11	100
	MM	–	–	–	–	–	–	17	60.2	0.10	17	60.2	0.10	100
Goldsworthy JV														
Northern Areas	NIM	56	61.7	0.05	45	61.0	0.07	–	–	–	101	61.4	0.06	85
Area C	BKM	22	58.5	0.07	19	58.5	0.07	71	62.2	0.12	111	60.9	0.10	85
	MM	399	62.1	0.06	213	62.2	0.06	373	61.1	0.06	984	61.8	0.06	85
BHPB/Renison JV	BKM	–	–	–	82	59.6	0.14	85	61.2	0.16	167	60.5	0.15	85
	MM	–	–	–	51	60.5	0.06	158	61.8	0.06	209	61.5	0.06	
Yandi JV	BKM	–	–	–	–	–	–	195	58.0	0.15	195	58.0	0.15	85
	CID	901	57.9	0.04	295	57.5	0.04	234	57.3	0.04	1 430	57.7	0.04	85
Samarco JV		467	47	0.05	663	45	0.05	2 659	42	0.04	3 789	43	0.05	50

(1) The BHP Billiton Iron Ore Western Australia resources include those that support current mining operations and market grades, and also include resources to support future undefined developments. All tonnages are in wet metric tonnes, except for Samarco which is in dry metric tonnes.

(2) Resources are divided into Joint Ventures, and material types which reflect the various products produced. The bedded ore material types are classified by the host Archaean or Proterozoic banded iron-formations. These are BKM – Brockman, MM – Marra Mamba and NIM – Nimingarra. The CID – Channel Iron Deposit or pisolite – are Cainozoic fluvial sediments.

(3) The resource grades listed refer to in situ (head grade), iron (Fe) and phosphorus (P).

(4) **Competent Persons**
Newman JV, Jimblebar, BHPB/Renison JV, Area C, Yandi JV: M Kneeshaw (FAusIMM)
Newman JV, Jimblebar, Yandi JV: C Handley (MAusIMM)
Goldsworthy JV, Northern Areas: D Podmore (MAusIMM)
Samarco JV: J Tizon (MAusIMM)

Carbon Steel Materials Customer Sector Group continued

Manganese Mineral Resources

Resources are inclusive of resources converted to Reserves.

Commodity Deposit	Measured Resources Tonnes (millions dmt)	Grade %Mn	Grade %Fe	Indicated Resources Tonnes (millions dmt)	Grade %Mn	Grade %Fe	Inferred Resources Tonnes (millions dmt)	Grade %Mn	Grade %Fe	Total Resources 2002 Tonnes (millions dmt)	Grade %Mn	Grade %Fe	BHP Billiton Interest %
Manganese (1)(2)													
Wessels	7.7	48.1	–	30.9	48.3	–	–	–	–	38.6	48.3	–	60
Mamatwan	25	38.0	5	15.5	38.0	5	15.9	37.0	5	56.5	37.8	5	60
GEMCO	56.5	48.1	–	58.9	47.6	–	92.5	47.0	–	207.9	47.5	–	60

(1) All tonnes are in dry metric tonnes.

(2) **Competent Persons**
Wessels: E P Ferreira (SACNASP)
Mamatwan: O van Antwerpen (SACNASP)
GEMCO: D Mallon (MAusIMM)

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Carbon Steel Materials Customer Sector Group continued

Metallurgical Coal Resources (1)(8)

Ownership	Deposit	Mining Method (2)	Coal (3) type	Tonnes (millions) (5)	Measured (4) Calorific Value (6) (Kcal/kg)	Volatile Matter (6) %
Queensland Coal Resources at operating mines						
CQCA JV	Goonyella	OC/UG	Met	1 377	–	22.9
	Peak Downs	OC/UG	Met	1 343	–	20.1
	Saraji	OC/UG	Met	450	–	18
	Norwich Park	OC/UG	Met	396	–	17.6
	Blackwater	OC/UG	Met/Th	471	7 529	25.7
	South Blackwater (7)	OC/UG	Met/Th	176	–	–
Sub-total				4 213		
Gregory JV	Gregory Crinum	OC/UG	Met/Th	211	–	33.4
BHP Mitsui	Riverside	OC	Met	16	–	23.2
	Kemmis Walker	OC	Met/Th	72	7 763	13.1
Sub-total				88		
Total Queensland Coal resources at operating mines				4 512		
Queensland Coal undeveloped resources						
CQCA JV	Red Hill	UG	Met	90	–	20.9
	Daunia	OC	Met/Th	109	–	20.2
	Peak Downs East	UG	Met	–	–	–
Sub-total				199		
Gregory JV	Liskeard	OC	Met	6	–	34.6
BHP Mitsui	Wards Well	UG	Met	331	–	21.6
	Lancewood	UG	Met	–	–	–
	Bee Creek	OC	Th	–	–	–
	Nebo West	OC	Th	–	–	–
	Poitrel/ Winchester	OC/UG	Met/Th	143	–	23.7
Sub-total				474		
Total undeveloped Queensland resources				679		
Total Queensland Coal resources				5 191		
Illawarra Coal Resources at Operating mines	Appin	UG	Met/Th	162	–	–
	West Cliff	UG	Met/Th	182	–	–
	Cordeaux	UG	Met/Th	134	–	–
	Tower	UG	Met/Th	77	–	–
	Elouera	UG	Met/Th	162	–	–
	Dendrobium	UG	Met/Th	208	–	–
Sub-total				925		
Illawarra Coal Undeveloped resources	A248 & 442	UG	Met/Th	128	–	–

(1) Coal Resources inclusive of coal reserves.

(2) OC = opencut, UG = underground.

(3) Met = metallurgical coal, Th = thermal coal.

(4) Maximum borehole spacings for confidence levels are: Measured 1000 m, Indicated 2000 m, Inferred 4000 m.

(5) All tonnages quoted are at in situ moisture content.

Indicated (4) Tonnes (millions) (5)	Calorific Value (6) (Kcal/kg)	Volatile Matter (6) %	Inferred (4) Tonnes (millions) (5)	Calorific Value (6) (Kcal/kg)	Volatile Matter (6) %	Total Tonnes (millions) (5)	BHP Billiton Interest %
278	–	22.0	14	–	22.5	1 670	50
735	–	–	248	–	–	2 326	50
88	–	17.5	9	–	17.4	547	50
124	–	17.4	39	–	17.4	558	50
253	7 470	25.2	272	7 570	22.1	996	50
201	–	–	629	–	–	1 006	50
1679			1 211			7 103	
29		33.1	2		33	241	50
–	–	–	–	–	–	16	80
45	7 754	13.4	353	7 756	13.4	470	80
45			353			486	
1 753			1 565			7 830	
406	–	19.6	306	–	18	801	50
54	–	20.3	–	–	–	163	50
668	–	17.5	104	–	18.4	772	50
1 128			410			1 736	
–	–	–	–	–	–	6	50
289	–	21.6	–	–	–	620	80
112	–	20.6	–	–	–	112	80
55	–	14.4	5	–	13	60	80
178	6 930	7.5	–	–	–	178	80
68	–	–	27	–	–	238	80
701			32			1 207	
1 829			442			2 950	
3 582			2 007			10 780	
150	–	–	41	–	–	354	100
60	–	–	11	–	–	253	100
87	–	–	4	–	–	225	100
44	–	–	10	–	–	131	100
63	–	–	27	–	–	252	100
151	–	–	39	–	–	398	100
555			132			1 613	
231	–	–	72	–	–	431	100

(6) Coal quality quoted is potential product quality on air dried basis.

(7) South Blackwater Coal Ltd was acquired by BHP Billiton (then BHP) and Mitsubishi Development in late 2000, resources were not reported in 2001 pending resolution of ownership issues.

(8) Competent Person for Queensland Coal Resources is D Dunn (MAusIMM), and for Illawarra Coal Resources is B Clark (MAusIMM).

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Carbon Steel Materials Customer Sector Group continued

Carbon Steel Ore Reserves

The tables below detail our iron ore, metallurgical coal and manganese reserves (in metric tonnes), estimated as at 30 June 2002 in 100 per cent terms.

Deposit	Ore Type (8)	Proved Ore Reserve Tonnes (millions)	Grade %Fe	Grade %P	Probable Ore Reserve Tonnes (millions)	Grade %Fe	Grade %P	Total Ore Reserve Tonnes (millions)	Grade %Fe	Grade %P	BHP Billiton Interest %
Iron Ore(1)(2)(3)(4)(5)(6)											
Mt Newman JV	BKM	863	62.9	0.07	250	62.1	0.07	1 113	62.7	0.07	85
	MM	61	62.0	0.07	19	61.2	0.05	80	61.8	0.07	85
Jimblebar	BKM	203	62.0	0.06	66	61.8	0.09	269	61.9	0.07	100
Mt Goldsworthy JV											
Northern Areas	NIM	24	63.3	0.05	5	60.4	0.04	28	62.9	0.05	85
Area C (7)	MM	189	62.7	0.06	19	62.8	0.06	209	62.7	0.06	85
Yandi JV	CID	546	58.3	0.04	141	58.1	0.04	687	58.3	0.04	85
Samarco		292	47.3	0.04	182	45.8	0.04	474	46.7	0.04	50

(1) The Reserves listed for each Joint Venture include a combination of High Grade (direct crusher feed) and Low Grade (usually requiring beneficiation). All tonnages are in wet metric tonnes, except for Samarco which is in dry metric tonnes.

(2) The Reserve grades listed refer to in situ head grades, iron (Fe) and phosphorus (P). Iron Ore is marketed as Lump (direct blast furnace feed) and Fines (sinter plant feed). Samarco is marketed predominantly as direct reduction and blast furnace pellets.

(3) Mining dilution has been taken into account in the estimation of reserves for all Western Australian iron ore operations. Mining recovery (not included in the reserve estimate) is variable from deposit to deposit but in general is around 95 per cent except for Yandi JV, which is 100 per cent. For Samarco the mine recovery is 96.5 per cent (not included in the reserve estimate) of the stated diluted reserve and beneficiation plant recovery is 57 to 59 per cent.

(4) Metallurgical recovery is 100 per cent for all of the West Australian iron ores except for the low-grade part of the Mt Newman JV (350 million tonnes) where the beneficiation plant recovery is 65 per cent. For both Mt Newman JV and Jimblebar the recovery of screened low-grade lump is 70 per cent and 55 per cent, respectively.

(5) The following third party audits have been undertaken: Mt Newman JV Long term mine plan audit including the reserve base, MRDI, 1997; Jimblebar Mine Planning Review, MineNet Consulting Mining Engineers, 2000; and Mt Goldsworthy JV Yarrie, Long Term Mine Plan Audit, MRDI, 1998 and Mine Planning Review, Mine Operations, MineNet Consulting Mining Engineers, 2001.

(6) Drill spacings used to classify Proved and Probable Reserves for the West Australian Iron Ore deposits are between 100m by 50m and 200m by 100m; for Samarco the drill spacings used are 50m by 50m and 150m by 100m for Proved and Probable Reserves, respectively.

(7) The reserve tabled for Mining Area C has been updated with the results from the Feasibility Study (February 2002). The project was approved for development on 3 April 2002.

(8) Ore types are BKM – Brockman, MM – Marra Mamba, NIM – Nimingarra, and CID – Channel Iron Deposit.

(9) **Competent Persons**
Mt Newman, Jimblebar, Area C and Yandi: P Schultz (MAusIMM)
Mt Goldsworthy JV Northern Areas: R Richardson (MAusIMM)
Samarco: J Tizon (MAusIMM)

Carbon Steel Materials Customer Sector Group continued

Manganese Reserves

Deposit (1)(2)(3)(4)(5)	Ore Type	Proved Ore Reserve Tonnes (millions)	Proved Grade %Mn	Proved Grade %Fe	Probable Ore Reserve Tonnes (millions)	Probable Grade %Mn	Probable Grade %Fe	Total Ore Reserve Tonnes (millions)	Total Grade %Mn	Total Grade %Fe	BHP Billiton Interest %
Manganese											
South Africa											
Wessels (UG)		3.4	48.1	–	13.9	48.4	–	17.3	48.3	–	60
Mamatwan (OC)		22.98	38.0	4.64	14.27	37.6	4.65	37.25	38.0	4.64	60
		Tonnes (millions)	Grade %Mn	%Yield	Tonnes (millions)	Grade %Mn	%Yield	Tonnes (millions)	Grade %Mn	%Yield	
Australia											
GEMCO (OC)	ROM	43.1	48.3	42	42.5	47.9	42	85.7	48.1	42	60

(1) Tonnages are on a dry basis. Mining dilution and recovery is included in the reserve estimate.

(2) Mining method: OC = open-cut, UG = underground.

(3) No third party reserve audits have been undertaken in the last three years.

(3) Metallurgical recovery for Wessels, Mamatwan and GEMCO will vary with required market specification.

(4) For the South African manganese deposits underground sampling and drill spacings of +/– 230m are used for Proved and Probable Reserves respectively at Wessels, while drill spacings of between 40m and 80m are used to classify Proved and Probable Reserves at Mamatwan. For Gemco drill spacings of 60m by 120m and 120m by 120m are used for Proved and Probable Reserves, respectively.

(5) **Competent Persons**
Wessels: E P Ferreira (SACNASP)
Mamatwan: O van Antwerpen (SACNASP)
GEMCO: D Mallon (MAusIMM)

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Carbon Steel Materials Customer Sector Group continued

Metallurgical Coal Reserves

		Mining (1) Method	Recoverable (2) Tonnes (millions)	Marketable (2) Tonnes (millions)	Marketable (2) Calorific Value (Kcal/kg)	Marketable (2) Volatile Matter %	Marketable (2) Sulphur %	BHP Billiton Interest %
Metallurgical Coal Reserves (3)(4)(5)(6)								
Queensland Reserves at operating mines								
CQCA JV	Goonyella	OC	818	592	7 767	23.6	0.52	50
	Peak Downs	OC	869	551	7 761	20.2	0.60	50
	Saraji	OC	162	108	7 761	18.7	0.62	50
	Norwich Park	OC	61	41	7 578	17.3	0.65	50
	Blackwater	OC	292	233	7 444	25.8	0.50	50
	South Blackwater	OC	72	62				50
Sub-total			2 274	1 587				
Gregory JV	Gregory	OC	17	13	7 722	33.1	0.60	50
	Crinum	UG	66	54	7 722	33.1	0.60	50
Sub-total			83	67				
BHP Mitsui	Riverside	OC	13	7	7 689	23.2	0.55	80
	South Walker Ck	OC	90	60	7 750	13.1	0.45	80
Sub-total			103	67				
Total Reserves at operating mines			2 460	1 721				
Illawarra Coal Reserves at operating mines								
	Appin	UG	85	70	8 122	22.7	0.33	100
	West Cliff	UG	56	45	8 239	20.8	0.36	100
	Cordeaux	UG	58	39	8 128	21.1	0.54	100
	Tower	UG	47	38	8 047	22.1	0.37	100
	Elouera	UG	8.5	6	8 261	23.9	0.57	100
	Dendrobium	UG	92	64	8 267	22.9	0.53	100
Total			346	262				
Queensland Undeveloped Coal Reserves								
CQCA JV	Daunia	OC	58.3	47	7 600	21.5	0.40	50
BHP Mitsui	Poitrel/Winchester	OC	112	88	7 250	22.8	0.40	80
	Nebo West	OC	21.6	16	6 933	7.5	0.65	80
Sub-total			134	104				
Total Queensland Undeveloped Coal Reserves			192	151				

(1) OC = open-cut, UG = underground.

(2) Recoverable Coal Reserve (metric tonnes) is the sum of Proved and Probable coal reserve estimates, which include allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable coal reserve (metric tonnes) are the tonnages of coal available, at specified moisture and quality, for sale after beneficiation of the Recoverable coal reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes.

(3) Coal wash plant recovery:

Queensland Coal			
Goonyella	72.3%	South Blackwater	80%
Peak Downs	63.3%	Gregory	79.8%
Saraji	66.9%	Crinum	82.1%
Norwich Park	68.1%	Riverside	59%
Blackwater	80.4%	South Walker	67.3%

(3) Coal wash plant recovery (continued):

Illawarra Coal			
Appin	81.8%	Tower	81.3%
West Cliff	79.7%	Elouera	69.2%
Cordeaux	67.2%	Dendrobium	70.5%

(4) CQCA's Goonyella, Peak Downs, Saraji, Norwich Park, Blackwater mines, Gregory JV mines Gregory and Crinum mines, and BHP Mitsui Coal P/L South Walker and Riverside mines passed audit by Runge P/L in June 2001. No third party audits have been undertaken on the Illawarra reserves in the past three years.

(5) Reserves are quoted on an air-dried qualities, as this is the basis they are sold on the international market.

(6) A drill spacing of 1000m is used to classify Proved Reserves and 1000m to 2000m to classify Probable Reserves.

(7) Competent Person for Queensland Coal Reserves is B Cox (MAusIMM), and for Illawarra Coal Reserves is B Clark (MAusIMM).

Stainless Steel Customer Sector Group

Stainless Steel Mineral Resources

The tables below detail Nickel and Chrome Mineral Resources (in metric tonnes) for the Stainless Steel Materials Customer Sector Group, estimated in 100 per cent terms as at the end of June 2002.

Commodity	Deposit	Type	Measured Resources Tonnes (millions dmt)	Measured Resources Grade %Ni	Indicated Resources Tonnes (millions dmt)	Indicated Resources Grade %Ni	Inferred Resources Tonnes (millions dmt)	Inferred Resources Grade %Ni	Total Resources Tonnes (millions dmt)	Total Resources Grade %Ni	BHP Billiton Interest %
Nickel	Cerro Matoso(1)	Laterite	38.9	1.88	19.7	1.61	6.8	1.40	65.4	1.75	99.8
				$\%Cr_2O_3$		$\%Cr_2O_3$		$\%Cr_2O_3$		$\%Cr_2O_3$	
Chrome	Western Chrome		39	41.6	36	41.2	2	41.3	77	41.4	60
South Africa	Eastern Chrome		73	42.2	99	43.3	149	43.7	321	43.3	60
operating mines(1)	Undeveloped		59	44.1	68	44.8	45	41.6	172	43.5	60

(1) Resources for nickel are estimated on the basis of a 1.1 per cent nickel cut-off, chrome is based on a 38 per cent Cr_2O_3 cut-off.

(2) Competent Persons are: A C Bailey (MAusIMM) for Cerro Matoso, and C D Beater (SACNASP) for Eastern and Western Chrome.

(3) Measured and Indicated Resources for chrome are exclusive of those Resources that have been modified to produce Ore Reserves.

Stainless Steel Ore Reserves

The table below details our Stainless Steel Materials Ore Reserves (in metric tonnes), estimated as at 30 June 2002.

Commodity	Deposit	Proved Ore Reserve Tonnes (millions)	Proved Ore Reserve Grade % Ni	Probable Ore Reserve Tonnes (millions)	Probable Ore Reserve Grade % Ni	Total Ore Reserves Tonnes (millions)	Total Ore Reserves Grade % Ni	BHP Billiton Interest %
Nickel								
Colombia	Cerro Matoso (2)(3)	34.3	2.01	12.6	1.70	46.9	1.93	99.8
			$\%Cr_2O_3$		$\%Cr_2O_3$		$\%Cr_2O_3$	
Chrome								
South Africa operating mines	Western Chrome (3)	9.4	42.3	11.3	42.3	20.7	42.3	60
	Eastern Chrome (3)	7.2	42.6	12.1	42.4	19.3	42.5	60

(1) Tonnages are quoted on a dry basis. Mining dilution and mining recovery are accounted for in the reserve estimates.

(2) Reserves for nickel are estimated on the basis of a 1.1 per cent nickel cut-off, chrome is based on a 38 per cent Cr_2O_3 cut-off.

(3) Metallurgical recoveries for the operations are: Cerro Matoso 86 per cent nickel; Western Chrome 86 per cent chrome; and Eastern Chrome 79 per cent chrome.

(4) Reserve audits for Cerro Matoso in the last three years are: May 1999, audit undertaken by Steffen, Roberts, Kirsten (SRK) on various aspects of the CMSA operations, including ore reserves and mine plan, on behalf of a consortium of investment banks; and July 2000, audit undertaken MRDI (Mineral Resources Development Inc.), San Mateo, California to investigate grade bias of the CMSA laboratory, on behalf of CMSA. No third party audits have been carried out on the Western and Eastern Chrome reserves in the last three years.

(5) Equivalent drill spacing of 30m for Proved Reserve, and 60m for Probable Reserve has been used for Cerro Matoso reserve classification. For the chrome mines the known (published) continuity of the chromitite layers in the Bushveld Complex allows wide spaced drilling to delineate Proved and Probable Reserves with 600 metre square grid (no structural complexity) with increased drilling density with structural/geological complexity for Proved Reserve and 1200 metre square grid for Probable Reserves.

(6) Competent Persons are A C Bailey (MAusIMM) for Cerro Matoso, and C D Beater (SACNASP) for Eastern and Western Chrome.

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Energy Coal Customer Sector Group

Energy Coal Resources

Ownership	Deposit	Potential mining method(1)	Coal type(2)	Measured Tonnes (millions)	Indicated Tonnes (millions)	Inferred Tonnes (millions)	Total Tonnes (millions)	BHP Billiton Interest %
New Mexico								
Operating mines	La Plata	OC	Th	52	–	–	52	100
	Navajo	OC	Th	258	–	–	258	100
	San Juan	OC & UG	Th	251	22	–	273	100
Sub-total				561	22		583	
South Africa								
Operating mines	Douglas	OC & UG	Th	307	–	–	307	84
	Khutala	OC & UG	Th	1 000	–	–	1 000	100
	Koornfontein	UG	Th	58	–	–	58	100
	Middelburg	OC	Th	407	–	–	407	84
	Optimum	OC	Th	221	262	–	482	100
	Rietspruit	OC & UG	Th	4	–	–	4	50
	ZAC	OC & UG	Anth	12	2	–	14	100
	Khutala 5 seam	OC/UG	Th	–	138	–	138	100
Projects	Klipfontein	OC	Th	79	–	–	79	100
	Leandra North	UG	Th	443	134	–	577	100
	Leandra South	UG	Th	–	474	–	474	100
	Rem Block IV	UG	Th	–	189	–	189	50
	Weltevreden	OC/UG	Th	–	418	–	418	100
Undeveloped	Pegasus	OC	Th	11	–	–	11	100
	Union	OC	Th	102	–	–	102	100
Mineral leases	Miscellaneous	UG	Th	50	4 967	2 564	7 581	100
Australia								
Operating mines	Mount Arthur Coal (4)	OC	Th	828	1 887	246	2 962	100
Projects	Wyong	UG	Th	279	1 046	46	1 370	78
	Togara South	UG	Th	317	646	1 059	2 022	100
Colombia								
Operating mines	Cerrejon Coal	OC	Th	468	391	31	890	33.3

(1) **Mining method**
OC = open-cut, UG = underground.

(2) **Coal type**
Met = metallurgical coal, Th = thermal coal, Anth = Anthracite.

(3) **Competent Persons**
San Juan, La Plata: R Vanvalkenburg (RPE NM)
Navajo: S Smith (RPE NM)
Delmas, Khutala, Rietspruit, ZAC, Rem Block IV, Union, Mineral Leases: M A J Visser (SACNASP)
Douglas: J H Marais (SACNASP)
Koornfontein: C W Joubert (SACNASP)
Middelburg: J C van der Merwe (SACNASP)
Optimum: G J Cronje (SACNASP)
Khutala 5 seam, Klipfontein, Weltevreden: J L Pienaar (SACNASP)
Leandra North, Leandra South, Pegasus: C D Van Niekerk (SACNASP)
Mount Arthur Coal: P Grey (FAusIMM)
Wyong Coal: K Bartlett (MAusIMM)
Togara South: A S Pretorius (MAusIMM)
Cerrejon Coal: C D Van Niekerk (SACNASP)

(4) Includes Bayswater operation and Mount Arthur North development.

Energy Coal Customer Sector Group continued

Energy Coal Reserves

The table below details our Energy Coal Reserves (in metric tonnes), estimated as at 30 June 2002.

	Deposit (1)	Mining Method (2)	Coal Type (3)	Recoverable Tonnes (4) (millions)	Marketable on as received basis				BHP Billiton Interest %
					Tonnes (millions)	Calorific Value (5) (Kcal/kg)	Sulphur %	Total Moisture	
Thermal Coal Reserves									
New Mexico (6)(7)	La Plata	OC	Th	0.9	0.9	5 000	0.7		100
	Navajo	OC	Th	240	240	4 989	0.64		100
	San Juan	OC & UG	Th	130	130	5 222	0.7		100
Sub-total				371	371				
South Africa									
Operating mines	Douglas	OC & UG	Th	250	177	6 044	0.93	7.3	84
	Khutala	OC & UG	Th	467	467	4 467	0.88	8.0	100
	Koornfontein	UG	Th	31	21	5 783	1.10	7.5	100
	Middelburg	OC	Th	267	224	5 617	0.83	6.6	84
	Optimum	OC	Th	404	299	5 544	0.60	8.0	100
	ZAC	OC & UG	Anth	5	3	6 522	0.90	6.3	100
Sub-total				1 424	1 191				
Australia									
Operating mines	Mount Arthur Coal (9)	OC	Th	504	441	6 367	0.60	10.1	100
Colombia									
Operating mines	Cerrejon Coal	OC	Th	740	744	6 178	0.80	13.0	33.3
Undeveloped Thermal Coal Reserves									
Projects	Leandra North	UG	Th	215	–	5 517	–	–	100
	Klipfontein	OC	Th	64	–	5 339	–	–	100
	Pegasus	OC	Th	10	–	5 856	–	–	100
Sub-total				289					

(1) Third Party Reserve Audits have been undertaken on the following operations: Mount Arthur Coal, May 1997–2001, Dr I Blaydan of Geological Management Services Pty Ltd and volume audit at Bayswater by Mincon; Cerrejon Zona Norte, August 2002 and December 2001, Mr P Riley, Exploration Computer Services, Lakefield, Colorado. San Juan Mine: 1) Audit of the underground resource and reserve conducted in June 2000 conducted by Skelly & Loy, Inc.; and 2) Audit of the technical design, modeling and planning data for the proposed underground mine feasibility study conducted by Marston & Marston, Inc in September 2000. This review included a review of the San Juan and La Plata modelling and planning data.

(2) **Mining method**
OC = open cut, UG = underground.

(3) **Coal type**
Th = thermal coal, Anth = Anthracite.

(4) Recoverable Coal Reserve (tonnes) is the sum of Proved and Probable Coal Reserve estimates, which include allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable coal reserve (tonnes) is the tonnages of coal available, at specified moisture and quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes.

(5) Coal quality is for a potential product rather than the in situ quality and is on an as received basis.

(6) Mining recovery for Navajo Mine is 95 per cent; San Juan Surface mining is 95 per cent; and San Juan Underground mining is 55 per cent.

(7) Drill spacings of between 125m by 125m and up to 750m spacing are used for energy (thermal) coal Proved Reserves. A drill spacing of 500m to 1000m is used for Probable Reserves at New Mexico; for the South African and Colombian sites the Probable Reserve category is not used.

(8) **Competent Persons**
Navajo: S Smith (RPE NM)
San Juan, La Plata: R Vanvalkenburg (RPE NM)
Optimum: G J Cronje (SACNASP)
Middelburg: J C van der Merwe (SACNASP)
Douglas: J H Marais (SACNASP)
Koornfontein: C W Joubert (SACNASP)
Khutala 5 seam: J L Pienaar (SACNASP)
ZAC: M A J Visser (SACNASP)
Mount Arthur Coal: P Grey (FAusIMM)
Cerrejon Coal: C D Van Niekerk (SACNASP)

(9) Includes Bayswater operation and Mount Arthur North development.

Notes to Financial Statements continued

36 SUPPLEMENTARY MINERAL RESOURCE AND ORE RESERVES INFORMATION (UNAUDITED) continued

Diamonds and Specialty Products Customer Sector Group

Mineral Resources

The table below details the Mineral Resources for the Diamonds and Specialty Products Customer Sector Group as at 30 June 2002, and is presented in 100 per cent terms.

Deposit	Measured Resources Tonnes (millions dmt)	Measured Resources Grade Carats/ tonne	Indicated Resources Tonnes (millions dmt)	Indicated Resources Grade Carats/ tonne	Inferred Resources Tonnes (millions dmt)	Inferred Resources Grade Carats/ tonne	Total Resources 2002 Tonnes (millions dmt)	Total Resources 2002 Grade Carats/ tonne	BHP Billiton Interest %[2]
Ekati Diamond Mine™									
Diamonds Resources									
Ekati™[1]	40	1.2	48	1.3	26	1.3	114	1.3	71.1

(1) Resources presented are total resources inclusive of the resources converted to Ore Reserves and those not yet converted to Ore Reserves; they are reported using a 1.0mm size cut-off and the Competent Person responsible is J Carlson (MAusIMM, NAPEGG).

(2) The BHP Billiton interest stated is weighted average based on the majority of the resource being 80 per cent BHP Billiton share and two pipes (Jay and Lynx) being located in the 'Buffer Zone' are 58.8 per cent BHP Billiton share.

Ore Reserves

The table below details the Ore Reserves for the Diamonds and Specialty Products Customer Sector Group, in 100 per cent terms.

Deposit	Proved Ore Reserve Tonnes (millions dmt)	Proved Ore Reserve Grade Carats/ tonne (>1.5mm size)	Probable Ore Reserve Tonnes (millions dmt)	Probable Ore Reserve Grade Carats/ tonne (>1.5mm size)	Total Ore Reserves Tonnes (millions dmt)	Total Ore Reserves Grade Carats/ tonne (>1.5mm size)	Recoverable Product[1] Carats (millions)	BHP Billiton Interest %
Ekati Diamond Mine™								
Diamond Ore Reserves								
Ekati™ [2][3][4]	33	1.1	25	0.7	58	0.9	53	80
		TiO_2 slag (million tonnes)		TiO_2 slag (million tonnes)		TiO_2 slag (million tonnes)	TiO_2 slag (million tonnes)	
Titanium [5]								
Ore Reserves								
Richards Bay Minerals		9.7		14.5		24.2	–	50

(1) The Recoverable Product figures are expressed in terms of the recoverable quantity of marketable product.

(2) The following audits have been carried out on the Ekati™ Diamond Reserve: March 2000 'Revised Resource Model for the Koala Kimberlite', Mineral Services Intl.; and May 2001 'Resource Estimate for the Koala North Kimberlite Pipe and Lower Part of the Panda Kimberlite Pipe, Ekati Diamond Property', Watts Griffis and MacOuat.

(3) Drill spacings of 25m by 25m and 50m by 50m are used to classify Proved and Probable Reserves, respectively.

(4) Competent Person is H Goetz (MAusIMM), and Diamond Ore Reserves are as at 30 June 2002.

(5) Richards Bay Minerals Ore Reserves are as of end December 2001.

Shareholder information

Twenty largest shareholders as at 29 August 2002

	BHP Billiton Plc	Number of fully paid shares	% of issued capital
1	Plc Nominees Pty Ltd	583 066 303	23.62
2	Chase Nominees Limited	199 751 991	8.09
3	HSBC Global Custody Nominee UK Limited <357206 A/C>	57 233 475	2.32
4	The Bank of New York Nominees Limited	55 655 804	2.25
5	Stanlife Nominees Limited	52 097 902	2.11
6	Mellon Nominees UK Limited <BSDTUSD A/C>	44 726 875	1.81
7	Chase Nominees Limited <LEND A/C>	38 662 870	1.57
8	Guaranty Nominees Limited <ADR01 A/C>	38 558 595	1.56
9	Nortrust Nominees Limited <SLEND A/C>	33 374 812	1.35
10	Chase Nominees Limited <USRESLD A/C>	31 859 817	1.29
11	Prudential Client HSBC GIS Nominee UK Limited <PAC A/C>	31 296 693	1.27
12	Vidacos Nominees Limited <FGN A/C>	26 966 936	1.09
13	Chase Nominees Limited <BGILIFEL A/C>	26 223 213	1.06
14	BNY OCS Nominees Limited	24 582 108	1.00
15	Nutraco Nominees Limited	24 375 354	0.99
16	Nortrust Nominees Limited	22 829 236	0.92
17	Chase Nominees Limited <PUTLEND A/C>	22 431 297	0.91
18	Vidacos Nominees Limited	21 378 805	0.87
19	State Street Nominees Limited <SS01 A/C>	20 717 173	0.84
20	Co-Operative Insurance Society Limited	20 645 113	0.84
		1 376 434 372	55.76

	BHP Billiton Limited	Number of fully paid shares	% of issued capital
1	J P Morgan Nominees	554 878 605	14.88
2	Westpac Custodian Nominees Ltd	461 422 348	12.37
3	National Nominees Ltd	458 867 760	12.30
4	Citicorp Nominees Pty Ltd	200 772 303	5.38
5	Australian Mutual Provident Society	105 300 642	2.82
6	ANZ Nominees Ltd	81 366 551	2.18
7	Commonwealth Custodial Services Ltd	77 636 856	2.08
8	Queensland Investment Corporation	66 486 061	1.78
9	MLC Group of Companies	48 199 762	1.29
10	HSBC Australia Nominees Pty Ltd	33 173 243	0.89
11	RBC Global Services Australia Nominees Pty Ltd	28 690 882	0.77
12	Mercantile Mutual Life Insurance Company	23 068 140	0.62
13	Japan Resources Limited	19 219 200	0.52
14	RBC Global Services Australia Nominees Pty Ltd <RA A/C>	18 857 409	0.51
15	AXA Trustees Ltd	18 225 216	0.49
16	NRMA Group	15 004 074	0.40
17	Commonwealth Superannuation Board of Trustees	14 673 779	0.39
18	Government Superannuation Office <State Super Fund A/C>	12 147 639	0.33
19	RBC Global Services Australia Nominees Pty Ltd <MTRAEF A/C>	10 944 063	0.29
20	Perpetual Trustee Australia Group	10 669 323	0.29
		2 259 603 856	60.58

Substantial shareholders

BHP Billiton Plc

By notices provided the Company's register of substantial shareholdings showed the following interests in 3 per cent or more of the Company's shares:

	Date of notice	Ordinary shares	%
Plc Nominees Pty Ltd	21 Aug 02	540 360 860	21.89
The Capital Group of Companies	8 Aug 02	154 782 898	6.27
Cater Allen International Ltd	28 May 02	106 835 415*	4.33
Old Mutual Plc	13 Nov 01	98 290 271*	3.98
Franklin & General Investment Management Ltd	20 Sep 01	77 368 390*	3.13
Legal & General Investment Management Ltd	10 Jun 02	75 230 880*	3.05

* These figures have been adjusted to recognise the bonus issue effective from 22 July 2002.

BHP Billiton Limited

The Capital Group Companies Inc, by notice dated 21 August 2002, advised that it had ceased to be a substantial shareholder.

Shareholder information continued

Distribution of shareholders and shareholdings as at 29 August 2002

	BHP Billiton Plc				BHP Billiton Limited			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Registered address								
Australia	68	0.7	1 033 787	0.0	298 801	94.1	3 628 739 526	97.3
New Zealand	8	0.1	19 382	0.0	9 049	2.8	41 716 945	1.1
United Kingdom	6 962	74.3	1 875 638 747	76.0	5 282	1.7	26 168 582	0.7
United States	62	0.7	344 693	0.0	1 850	0.6	4 641 840	0.1
South Africa	1 858	19.8	588 844 200	23.9	46	0.0	121 736	0.0
Other	411	4.4	2 266 193	0.1	2 667	0.8	30 755 282	0.8
Total	9 369	100.0	2 468 147 002	100.0	317 695	100.0	3 732 143 911	100.0

	BHP Billiton Plc				BHP Billiton Limited			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Size of holding								
1 – 500*	2 337	24.9	512 844	0.0	76 619	24.2	20 436 073	0.5
501 – 1 000	1 393	14.9	971 849	0.0	59 068	18.6	46 609 324	1.3
1 001 – 5 000	3 102	33.1	6 906 064	0.3	130 089	41.0	307 683 750	8.2
5 001 – 10 000	687	7.3	4 731 314	0.2	27 661	8.7	197 944 031	5.3
10 001 – 25 000	538	5.7	8 423 568	0.3	17 486	5.5	263 824 791	7.1
25 001 – 50 000	269	2.9	9 652 469	0.4	4 150	1.3	142 165 826	3.8
50 001 – 100 000	239	2.6	16 955 614	0.7	1 632	0.5	111 492 863	3.0
100 001 – 250 000	283	3.0	44 572 293	1.8	678	0.2	97 874 540	2.6
250 001 – 500 000	165	1.8	58 762 648	2.4	153	0.0	51 800 985	1.4
500 001 – 1 000 000	124	1.3	87 689 457	3.6	53	0.0	36 817 436	1.0
1 000 001 and over	232	2.5	2 228 968 882	90.3	106	0.0	2 455 494 292	65.8
Total	9 369	100.0	2 468 147 002	100.0	317 695	100.0	3 732 143 911	100.0

*Number of BHP Billiton Limited shareholders holding less than a marketable parcel (A$500) based on the market price of A$9.27 as at 29 August 2002 was 9 064.

	BHP Billiton Plc				BHP Billiton Limited			
	Shareholders Numbers	%	Shares Numbers	%	Shareholders Numbers	%	Shares Numbers	%
Classification of holder								
Corporate	3 512	37.5	2 453 100 890	99.4	42 941	13.5	2 682 890 185	71.9
Private	5 857	62.5	15 046 112	0.6	274 754	86.5	1 049 253 726	28.1
Total	9 369	100.0	2 468 147 002	100.0	317 695	100.0	3 732 143 911	100.0

Dividend payments

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

When you close or amend your banking arrangements, it is essential you notify Lloyds TSB Registrars or Computershare Investor Services Limited, of the new details.

Dividend determination

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

Dividend payment in US dollars

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

Consolidation of share certificates

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

Change of address

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

Stock exchange listings

BHP Billiton Plc is listed on stock exchanges in UK (London), South Africa (Johannesburg) and France (Paris). In addition, American Depositary Shares (each representing two ordinary shares) evidenced by American Depositary Receipts (ADRs) issued by JPMorgan Chase Bank, as Depositary, trade on the Over The Counter Market (OTC).

Annual General Meeting

The Annual General Meeting of BHP Billiton Plc will be held at the Millennium Hotel, Mayfair, London, on Monday, 4 November 2002 commencing at 8.30 am.

Details of the business of the meeting are contained in the separate Notice of Meeting enclosed with this Annual Report.

Enquiries

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

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

Manager Investor Relations
BHP Billiton Plc
1–3 Strand
London
WC2N 5HA
United Kingdom

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Corporate Directory

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REGISTERED OFFICE

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Facsimile (44 20) 7747 3900

Company Secretary
Karen J Wood

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CORPORATE CENTRES

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Singapore
168 Robinson Road #10-01
Capital Tower
Singapore 068912

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Facsimile (65) 6349 4000

REGISTRARS AND TRANSFER OFFICES

United Kingdom
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Telephone 0870 600 3970
(44 121) 433 8000 from outside the UK
Facsimile 0870 600 3980
(44) 1903 854031 from outside the UK
0870 600 3950 text phone for shareholders with hearing difficulties
Website www.lloydstsb-registrars.co.uk

Lloyds TSB Registrars operates a web-based enquiry and portfolio management service for shareholders. Visit www.shareview.co.uk for details.

South Africa
Computershare Investor Services Limited
8th Floor
11 Diagonal Street
Johannesburg 2001

(PO Box 1053, Johannesburg 2000)

Telephone (27 11) 370 5000
Facsimile (27 11) 370 5487
Website www.registrars.co.za

USA
(Depositary bank for ADRs)
JPMorgan Chase Bank
Shareholder Services
P O Box 43013
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RI 02940-3013
USA

Telephone (1 781) 575 4328
Facsimile (1 781) 575 4082
Website www.adr.com

Receive your Annual Report electronically.
BHP Billiton Plc's Annual Report is also posted on the Internet. Shareholders are encouraged to visit **www.bhpbilliton.com** to inspect the electronic version of the Annual Report and provide feedback to the Company.

www.bhpbilliton.com

NOTE 34. 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.

Certain additional disclosures that would normally accompany these disclosures were they being prepared in the context of a filing with the US Securities and Exchange Commission have been omitted.

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, with the excess recorded as 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 years ended 30 June 2001 and 2000, the BHP Billiton Group's net income under UK GAAP, as presented in the financial statements of the BHP Billiton Group, when represented under US GAAP, becomes the net income of the BHP Billiton Limited Group

Note 34 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Plc Annual Report 2002.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

(A) Reconciliation to US GAAP

Material differences between UK GAAP as followed by the BHP Billiton Group and US GAAP are described below. Refer 'US GAAP Adjustments'.

The following is a summary of the estimated adjustments to net income for 2002, 2001 and 2000 which would be required if US GAAP had been applied instead of UK GAAP.

	2002 US$M	2001 US$M (restated)	2000 US$M
Reconciliation of net income			
Attributable profit as reported under UK GAAP	**1 690**	1 529	1 506
add/(deduct)			
Estimated adjustment required to accord with US GAAP:			
BHP Billiton Plc Group's pre-acquisition profit attributable to shareholders under UK GAAP	**–**	(565)	(566)
Fair value adjustment on acquisition of BHP Billiton Plc Group			
Depreciation, amortisation and other asset movements	**(454)**	(11)	(11)
BHP Steel demerger	**(333)**	–	–
Employee compensation costs	**26**	(117)	–
Depreciation – write-downs	**(18)**	(19)	(31)
– revaluations	**5**	5	7
– reserves	**(15)**	–	–
Restructuring and employee provisions	**(55)**	31	26
Fair value accounting for derivatives	**279**	(33)	–
Synthetic debt	**18**	–	–
Realised net exchange (losses)/gains on sale of assets/closure of operations	**84**	7	26
Exploration, evaluation and development expenditures	**(60)**	(3)	(4)
Start-up costs	**(2)**	5	(15)
Profit on asset sales	**2**	2	(30)
Pension plans	**(12)**	24	21
Other post-retirement benefits	**8**	–	–
Mozal expansion rights	**22**	–	–
Employee Share Plan loans	**(16)**	–	–
Purchase business combination costs	**–**	38	–
Expenses on spin-off of OneSteel Limited	**–**	(30)	–
Restoration and rehabilitation costs	**–**	50	61
Asset write-downs	**–**	–	(891)
Consolidation of Tubemakers of Australia Ltd	**–**	(1)	(4)
Tax adjustments (including the tax effect of above adjustments)	**80**	(30)	305
Total adjustment	**(441)**	(647)	(1 106)
Net income of BHP Billiton Group under US GAAP	**1 249**	882	400

Addendum to BHP Billiton Plc Annual Report 2002

Note 34 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Plc Annual Report 2002.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	2002 US$	2001 US$	2000 US$
Earnings per share – US GAAP (a) (b)			
Basic	**0.207**	0.239	0.109
Diluted	**0.207**	0.238	0.109
Earnings per American Depositary Share (ADS) – US GAAP (b) (c)			
Basic	**0.414**	0.478	0.218
Diluted	**0.414**	0.476	0.218

(a) Based on the weighted average number of shares on issue for the period.
(b) Comparative data has been adjusted to take into account the BHP Billiton Limited bonus share issue effective 29 June 2001. Refer note 23.
(c) For the periods indicated, each ADS represents two ordinary shares in BHP Billiton Limited.

	2002 US$M	2001 US$M (restated)	2000 US$M
Consolidated income statement			
Revenues	**14 698**	9 038	8 653
Deduct			
Cost of sales	**9 968**	6 457	7 165
Depreciation and amortisation	**1 882**	1 137	1 106
General and administrative expenses	**174**	185	57
Operating income	**2 674**	1 259	325
deduct			
Net interest expense	**465**	299	418
Income/(loss) before tax, minority interests and equity in net earnings of affiliated companies	**2 209**	960	(93)
deduct/(add)			
Taxation expense/(benefit)	**878**	489	(310)
add			
Share of profits of joint ventures and associated undertakings	**221**	15	19
deduct/(add)			
Minority interests	**39**	(260)	(21)
Net income from continuing operations	**1 513**	746	257
Discontinued operations			
Income from discontinued operations	**74**	205	196
(add)/deduct			
Taxation (benefit)/expense from discontinued operations	**(3)**	34	48
deduct			
Loss on disposal of operations	**333**	31	4
deduct			
Minority interests in discontinued operations	**8**	4	1
Net (loss)/income from discontinued operations	**(264)**	136	143
Net income	**1 249**	882	400

Note 34 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Plc Annual Report 2002.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

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

	2002 US$M	2001 US$M	2000 US$M
Statement of comprehensive income			
Total changes in equity other than those resulting from transactions with owners under UK GAAP(a)	**1 715**	1 401	1 240
Adjustments to reflect comprehensive income in accordance with US GAAP, net of income tax:			
Total adjustment to net income per above reconciliation excluding adjustments mainly related to the acquisition of BHP Billiton Plc Group	**(441)**	(227)	(540)
Reclassification adjustment for net exchange gains included in net income (b)	**(84)**	(7)	(26)
Net loss on qualifying cash flow hedging instruments as at 1 July 2000	**–**	(268)	–
Losses on qualifying cash flow hedging instruments	**–**	(301)	–
Net transfer to earnings on maturity of cash flow hedging instruments	**148**	150	–
Changes in fair value of listed investments	**5**	–	–
Comprehensive income – under US GAAP (c)	**1 343**	748	674
Accumulated other comprehensive income includes:			
Exchange fluctuation account	**387**	446	149
Qualifying cash flow hedging instruments	**(271)**	(419)	–
Other items	**5**	–	–

(a) 2002 represents the BHP Billiton Group. 2001 and 2000 represents the 'predecessor' being the BHP Billiton Limited Group.

(b) Tax benefit/(expense) of other comprehensive income items:

• Movements in exchange fluctuation account	**1**	74	40
• Reclassification adjustment for exchange gains included in net income	**–**	–	30

(c) Estimated losses expected to be reclassified from other comprehensive income to earnings in the year ended 30 June 2003 are approximately $220 million after tax.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2002 and 2001 that would be required if US GAAP had been applied instead of UK GAAP:

	2002 US$M	2001 US$M
Reconciliation of Shareholders' Equity		
Shareholders' equity under UK GAAP	**12 356**	11 340
add/(deduct)		
Estimated adjustment required to accord with US GAAP:		
Fair value adjustments on acquisition of BHP Billiton Plc Group (a)		
Inventory	**–**	159
Investments	**985**	1 034
Property, plant and equipment	**2 072**	2 156
Undeveloped properties	**741**	825
Long-term contracts	**39**	40
Goodwill	**3 174**	3 277
Long-term debt	**13**	29
BHP Steel demerger	**(264)**	–
Property, plant and equipment revaluations	**(63)**	(68)
Asset write-downs	**87**	174
Reserves	**(15)**	–
Restructuring and employee provisions	**11**	66
Fair value accounting for derivatives	**(127)**	(624)
Synthetic debt	**31**	13
Exploration, evaluation and development expenditures	**(126)**	(66)
Start-up costs	**(55)**	(53)
Profit on asset sales	**(20)**	(22)
Pension plans	**(109)**	(78)
Other post-retirement benefits	**(15)**	(49)
Mozal expansion rights debtor	**(39)**	(61)
Employee Share Plan loans	**(135)**	(59)
Change in fair value of listed investments	**10**	5
Deferred taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	**(1 559)**	(1 724)
Deferred taxation adjustments (including the deferred taxation effect of other adjustments)	**155**	288
Total adjustment	**4 791**	5 262
Shareholders' equity under US GAAP	**17 147**	16 602

(a) In addition to the fair value adjustments on acquisition of the BHP Billiton Plc Group indicated, various adjustments to the net assets of the BHP Billiton Plc Group to reflect US GAAP were also reported. These adjustments have been disclosed in aggregate with similar items relating to the BHP Billiton Limited Group.

Note 34 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Plc Annual Report 2002.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following are the variations in the balance sheet as at 30 June 2002 and 2001 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 and 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.

	Unadjusted 2002 US$M	**Adjustments 2002 US$M**	**US GAAP 2002 US$M**	Unadjusted 2001 US$M	Adjustments 2001 US$M	US GAAP 2001 US$M
Balance Sheet						
Assets						
Current assets						
Cash assets	**1 413**	**–**	**1 413**	1 147	–	1 147
Receivables	**2 131**	**(251)**	**1 880**	2 120	(210)	1 910
Other financial assets	**116**	**–**	**116**	215	–	215
Inventories	**1 160**	**–**	**1 160**	1 375	159	1 534
Other assets	**100**	**93**	**193**	122	–	122
Total current assets – continuing operations	**4 920**	**(158)**	**4 762**	4 979	(51)	4 928
Total current assets – discontinued operations	**748**	**–**	**748**	738	–	738
Total current assets	**5 668**	**(158)**	**5 510**	5 717	(51)	5 666
Non-current assets						
Receivables	**882**	**(64)**	**818**	511	(188)	323
Investments accounted for using the equity method	**1 505**	**(2)**	**1 503**	1 236	–	1 236
Other financial assets	**489**	**1 034**	**1 523**	465	1 085	1 550
Inventories	**45**	**–**	**45**	61	–	61
Property, plant and equipment	**17 659**	**2 246**	**19 905**	16 964	2 844	19 808
Intangible assets	**42**	**3 180**	**3 222**	95	3 283	3 378
Deferred tax assets	**462**	**67**	**529**	442	216	658
Other assets	**796**	**(100)**	**696**	689	(69)	620
Total non-current assets – continuing operations	**21 880**	**6 361**	**28 241**	20 463	7 171	27 634
Total non-current assets – discontinued operations	**1 984**	**40**	**2 024**	1 809	123	1 932
Total non-current assets	**23 864**	**6 401**	**30 265**	22 272	7 294	29 566
Total assets	**29 532**	**6 243**	**35 775**	27 989	7 243	35 232
Liabilities and shareholders' equity						
Current liabilities						
Payables	**2 143**	**100**	**2 243**	1 988	318	2 306
Interest bearing liabilities	**1 884**	**(141)**	**1 743**	1 884	(141)	1 743
Tax liabilities	**498**	**–**	**498**	380	–	380
Other provisions	**1 009**	**(9)**	**1 000**	942	(64)	878
Total current liabilities – continuing operations	**5 534**	**(50)**	**5 484**	5 194	113	5 307
Total current liabilities – discontinued operations	**448**	**–**	**448**	375	–	375
Total current liabilities	**5 982**	**(50)**	**5 932**	5 569	113	5 682

Note 34 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Plc Annual Report 2002.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	Unadjusted 2002 US$M	**Adjustments 2002 US$M**	**US GAAP 2002 US$M**	Unadjusted 2001 US$M	Adjustments 2001 US$M	US GAAP 2001 US$M
Balance Sheet continued						
Non-current liabilities						
Payables	**121**	**16**	**137**	144	185	329
Interest bearing liabilities	**6 329**	**(33)**	**6 296**	6 595	(51)	6 544
Tax liabilities	**1 364**	**1 471**	**2 835**	1 152	1 651	2 803
Other provisions	**2 661**	**33**	**2 694**	2 443	69	2 512
Total non-current liabilities – continuing operations	**10 475**	**1 487**	**11 962**	10 334	1 854	12 188
Total non-current liabilities – discontinued operations	**393**	**–**	**393**	366	–	366
Total non-current liabilities	**10 868**	**1 487**	**12 355**	10 700	1 854	12 554
Total liabilities	**16 850**	**1 437**	**18 287**	16 269	1 967	18 236
Equity minority interests	**326**	**15**	**341**	380	14	394
Shareholders' equity						
BHP Billiton Limited – contributed equity	**3 143**	**(628)**	**2 515**	3 039	(533)	2 506
BHP Billiton Plc – called up capital	**1 752**	**5 697**	**7 449**	1 752	5 699	7 451
Other equity items	**471**	**(247)**	**224**	530	(400)	130
Retained profits	**6 990**	**(31)**	**6 959**	6 019	496	6 515
Total shareholders' equity	**12 356**	**4 791**	**17 147**	11 340	5 262	16 602
Total liabilities and shareholders' equity	**29 532**	**6 243**	**35 775**	27 989	7 243	35 232

Note 34 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Plc Annual Report 2002.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The BHP Billiton Group Statement of Consolidated 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 standard SFAS 95, Statement of Cash Flows. The principal differences between the standards relate to 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:

	2002 US$M	2001 US$M	2000 US$M
Reconciliation of Cash Flows			
Net cash inflow/outflow from operating activities in accordance with UK GAAP	**4 641**	4 805	4 444
Dividends received	**187**	193	150
Returns on investments and servicing of finance	**(375)**	(524)	(651)
Tax paid	**(515)**	(587)	(532)
Net cash provided by operating activities in accordance with US GAAP	**3 938**	3 887	3 411
Capital expenditures	**(2 671)**	(3 040)	(1 262)
Acquisition and disposals	**(38)**	(1 399)	458
Net (purchase)/sale of investments	**50**	(595)	(117)
Net cash used in investing activities in accordance with US GAAP	**(2 659)**	(5 034)	(921)
Proceeds from issuance of ordinary shares	**85**	937	132
(Decrease)/increase in interest bearing liabilities	**(324)**	982	(1 687)
Equity dividends paid	**(831)**	(801)	(395)
Net cash provided by financing activities in accordance with US GAAP	**(1 070)**	1 118	(1 950)
Exchange translation effects	**5**	(117)	73
Net (decrease)/increase in cash and cash equivalents in accordance with US GAAP	**214**	(146)	613
Cash and cash equivalents at beginning of period	**1 285**	1 431	818
Cash and cash equivalents at end of period	**1 499**	1 285	1 431
At year end cash and cash equivalents is made up of:			
Cash at bank and in hand	**1 199**	836	708
Money market deposits*	**300**	449	723
Cash and cash equivalents at end of period	**1 499**	1 285	1 431

* Money market deposits with financial institutions have a maturity up to but not more than three months.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

Basis of presentation under US GAAP

Revenue recognition

SAB 101 'Revenue recognition in Financial Statements' became applicable to the BHP Billiton Group for the year ended 30 June 2001. The adoption of SAB 101 does not give rise to any differences in revenue recognition.

Debtors

In accordance with UK GAAP, certain debtors are included on the balance sheet, which are considered to have been sold and are not included on the balance sheet under US GAAP. The value of debtors at 30 June 2002 which were the subject of such treatment was US$141 million (2001: US$278 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 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*.

As disclosed in note 1, the BHP Billiton 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 the Richards Bay Minerals joint venture are embodied in the shareholder agreement between the BHP Billiton 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.

As disclosed in note 1, the BHP Billiton Group holds a 57.5 per cent ownership interest in Escondida, which is classified as a joint arrangement. In accordance with EITF 96-16, the BHP Billiton Group has not consolidated this investment. The substantive participating rights of the minority interests holder in the Escondida joint venture include the participation in selection, termination and compensation of management, approval of sales, expenditure, expansions, curtailments, borrowings, settlements and policies and procedures.

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.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

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

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 years ended 30 June 2001 and 30 June 2000. This elimination is not applicable at 30 June 2002 or for subsequent post-acquisition periods.

Acquisition of BHP Billiton Plc

On 29 June 2001, BHP Billiton Limited and BHP Billiton Plc established a DLC merger. A full description of the DLC Merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'. 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 exercise 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 the resulting goodwill over the periods of their respective useful economic lives.

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.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

(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 that have advanced to a stage of development feasibility where management believes reasonable 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 increase in value of the long-term contracts was determined by attributing a fair value to certain long-term contracts, which were not accorded a value in the BHP Billiton Plc Group's financial statements.

(vi) Goodwill represents the remainder of unallocated purchase consideration. Goodwill is currently amortised over its expected useful economic life and in future years will be 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) Other differences between UK GAAP and US GAAP included adjustments for pensions, post-retirement benefits and start up costs.

(ix) Deferred taxes have been computed on the excess of fair value over book value, other than for goodwill, using the applicable statutory tax rates.

Preliminary 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. Minor revisions to the provisional fair values were undertaken in the year ended 30 June 2002. The revised values of assets and liabilities acquired compared to the provisional values are shown in the table below. Prior period fair value adjustments have not been restated for the revisions.

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NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

	Final US$M	Provisional US$M
Balance Sheet at 30 June 2001		
Current assets		
Cash assets	687	687
Receivables	883	883
Inventories	1 022	1 022
Other financial assets	132	132
Non-current assets		
Property, plant and equipment	11 567	11 540
Intangibles	3 307	3 278
Other financial assets	2 929	2 971
Current liabilities		
Payables	1 048	1 048
Interest bearing liabilities	1 300	1 300
Other provisions	221	221
Non-current liabilities		
Interest bearing liabilities	3 329	3 329
Tax liabilities	2 129	2 161
Other provisions	634	588
Equity minority interests	337	337
Net assets	11 529	11 529
Shareholders' equity		
Shareholders' equity	11 529	11 529

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

BHP Steel demerger

Under UK GAAP, the BHP Steel demerger is treated in two components – 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 is required to be 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.

Employee compensation costs

In these accounts, the expected cost of awards under various employee ownership plans is charged to the profit and loss account over the vesting period. Under US GAAP, compensation expense arising from variable equity award plans is recognised based on movements in their intrinsic value.

Depreciation

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.

Following smaller asset write-downs under US GAAP, the higher asset values under US GAAP are being depreciated in accordance with asset utilisation. Refer ‘Asset write-downs’ below.

Asset write-downs

At 31 May 1998, the BHP Billiton Limited Group changed its impairment test policy for determining the recoverable amount of non-current assets from an undiscounted to a discounted basis. 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.

These differences created adjustments to the profit and loss account in prior years representing the lower charge to profit and resultant higher asset values for the write-downs calculated 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. Refer ‘Depreciation’ above.

The movement in the shareholders’ equity reconciliation in 2002 for this item largely reflects impacts of the BHP Steel demerger and has been included in that item in the income reconciliation. The charge to profit for the period ended 30 June 2000 reflects the additional write-off of the West Australian HBI plant for US GAAP.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

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). The information contained in these statements differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. This adjustment reflects the impact on depreciation of the difference.

Restructuring and employee provisions

These 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.

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. 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.

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

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

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.

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 rand and the various foreign currencies. In these accounts, the arrangement is treated as a synthetic 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 loan amounts and forward exchange contracts are accounted for separately. Foreign loans are 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.

Realised net exchange gains on sale of assets/closure of operations

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.

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 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, amounts amortised (which have been expensed for US GAAP purposes) will be added back when determining the profit result according to US GAAP.

Costs of start-up activities

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.

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.

For the period ended 30 June 2000, the profit on the sale and leaseback of plant and equipment was deferred for US GAAP purposes and will be recognised over the life of the operating lease.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

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 and resulted in changes in policy by the BHP Billiton Limited Group to conform with the BHP Billiton Plc Group in the year ended 30 June 2001. Previously, charges were taken to the profit and loss account as contributions were made to pension plans.

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 and the timing of recognition of expense components results in different periodic costs and pension assets or liabilities. In addition, any associated foreign exchange gains or losses are required to be eliminated from net income.

Post-retirement benefits

In these accounts, post-retirement benefits other than pensions have been accounted for in accordance with the provisions of SSAP 24, which are generally consistent with the provisions of SFAS 106 for the purposes of US GAAP except for certain scenarios such as in accounting for plan amendments.

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.

Mozal expansion rights

In June 2001, 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 these accounts, the consideration was recognised as revenue in the year ended 30 June 2001. A portion of the consideration will be paid in cash and another portion will be delivered to BHP Billiton 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 deferred consideration 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.

Change in UK corporate tax rate for petroleum companies

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 will not be recognised for US GAAP purposes until the legislation is enacted. For 2002, an adjustment of US$61 million is reported in the item 'taxation adjustments'.

Purchase business combination costs

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

Expenses on spin-off of OneSteel Limited

Costs associated with completion of the spin-off of OneSteel Limited are recognised directly in equity for UK GAAP but are charged as expenses for US GAAP. Previously published financial statements incorrectly recognised these costs directly in equity. This change in accounting in the year ended 30 June 2001 decreased US GAAP net income by US$30 million, and decreased US GAAP earnings per share by US$0.008 per share.

Note 34 to the financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised. This version supersedes that included in the BHP Billiton Plc Annual Report 2002.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

Restoration and rehabilitation costs

Under UK GAAP, the expected cost of any committed decommissioning or restoration program, discounted to its net present value, is provided and capitalised at the beginning of each project. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision as the discount unwinds is included in net interest and similar items payable. Under UK GAAP, this policy has been adopted for all periods presented. In fiscal 2000 and prior years, the provision was determined under US GAAP on an undiscounted basis and the charge to profit was generally based on units of production, so that full provision was made by the end of the assets' economic life.

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 is higher under US GAAP, and this is reflected in higher goodwill capitalised and amortised in accordance with US GAAP. The spin-off of OneSteel Limited eliminated this reconciling item.

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

Investments

Under UK GAAP certain unlisted investments are marked to market annually based on third party valuations. The increase/(decrease) in the value of the investments is recognised in the profit and loss account. Under US GAAP such investments are adjusted to reflect the increase in guaranteed surrender value of the investment, but are not permitted to be marked to market.

Under UK GAAP certain investments in marketable securities are classified as exploration assets and are carried at estimated recoverable amount. Under US GAAP, such investments are classified as available for sale and are marked to market with changes in fair value recognised as a component of comprehensive income.

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 the 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.

Taxation adjustments

In these accounts, potential tax expense of US$47 million has not been recognised in 2002, 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. This adjustment is reported in the item 'taxation adjustments'.

NOTE 34. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

(B) Employee compensation costs

The BHP Billiton Group has applied the principles of US Accounting Principles Board Opinion No. 25 in the determination of employee compensation costs arising from the various employee ownership plans. Had the fair value basis of accounting in US Statement of Financial Accounting Standards No. 123 been used to account for compensation costs, the following net income and earnings per share amounts would result:

	2002 US$M	2001 US$M	2000 US$M
Net income			
As reported	**1 249**	882	400
Proforma	**1 224**	897	400
Basic earnings per share (a) (b)			
As reported	**0.207**	0.239	0.109
Proforma	**0.203**	0.243	0.109
Diluted earnings per share (b) (c)			
As reported	**0.207**	0.238	0.109
Proforma	**0.203**	0.242	0.109

(a) Based on net profit attributable to members of BHP Billiton Group.
(b) Comparative data has been adjusted to take into account the bonus share issue effective 29 June 2001. Refer note 23.
(c) Refer note 12.

(C) Impact of new accounting standards

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141: Business Combinations (SFAS141) and Statement of Financial Accounting Standards No. 142: Goodwill and Other Intangible Assets (SFAS142). In August 2001, the FASB also issued Statement of Financial Accounting Standards No. 143: Accounting for Asset Retirement Obligations (SFAS143) and Statement of Financial Accounting Standards No. 144: Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS144). In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146: Accounting for Costs Associated with Exit or Disposal Activities (SFAS146).

For the purpose of deriving US GAAP financial information of the BHP Billiton Group, SFAS141 applies to purchase business combinations entered into after 30 June 2001. SFAS142, SFAS143 and SFAS144 will apply for the year ending 30 June 2003 while SFAS146 is effective for exit or disposal activities initiated after 31 December 2003. The BHP Billiton Group has not adopted any of these standards early for the purpose of the June 2002 financial statements.

SFAS141 changes the accounting for business combinations to a single purchase accounting method. SFAS141 also changes the recognition criteria for intangible assets other than goodwill, and expands disclosure requirements in relation to business combinations. SFAS142 changes the accounting for acquired goodwill and other intangible assets by requiring that goodwill and intangible assets with indefinite useful lives not be amortised. Under SFAS142, the carrying amount of such assets will be subject to impairment tests at least on an annual basis. SFAS143 changes accounting for the retirement of tangible long-lived assets by requiring that the fair value of legal obligations associated with the retirement of such assets be recognised as a liability and capitalised as part of the cost of those assets. SFAS144 requires one accounting model to be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and will broaden the presentation of discontinued operations to include more disposal transactions. SFAS146 requires that costs associated with exit or disposal activities be recognised when they are incurred rather than at the date of a commitment to an exit or disposal plan.

The BHP Billiton Group has not evaluated the potential impact of any of these new standards on its future financial performance or financial position.