

BHP BILLITON PLC  
Form 6-K  
October 29, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Date of

30 September 2003

BHP Billiton Plc

Registration Number 3196209

Neathouse Place

London SW1V 1BH

United Kingdom

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

|           |                                     |  |           |                          |
|-----------|-------------------------------------|--|-----------|--------------------------|
| Form 20-F | <input checked="" type="checkbox"/> |  | Form 40-F | <input type="checkbox"/> |
|-----------|-------------------------------------|--|-----------|--------------------------|

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

|     |                          |  |    |                                     |
|-----|--------------------------|--|----|-------------------------------------|
| Yes | <input type="checkbox"/> |  | No | <input checked="" type="checkbox"/> |
|-----|--------------------------|--|----|-------------------------------------|

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

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BHP Billiton Plc  
Financial Statements for the year ended 30 June 2003 (part 1 of 3)

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### **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 United Kingdom 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 at the end of the period and of the profit and loss for the period.

In preparing those financial statements, the Directors are required to:

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- 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; and
- 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 which disclose with reasonable accuracy, at any time, the financial position of BHP Billiton Plc, and which enable the Directors 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 73 to 184.

We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Directors and the joint auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 71 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 44 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 risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report, 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

### 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 2003 and of the profit and cash flows of the Group for the year then ended and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants and registered auditor

London, 9 September 2003

PricewaterhouseCoopers LLP

Chartered Accountants and registered auditors

London, 9 September 2003

*Note - the page numbers shown above refer to the appropriate pages in the BHP Billiton Plc 2003 Annual Report.*

### Consolidated Profit and Loss Account

for the year ended 30 June 2003

| Notes | Continuing<br>Operations<br>US\$M | 2003<br>Discontinued<br>Operations/<br>US\$M | Total<br>US\$M | Continuing<br>Operations<br>US\$M | Exceptional<br>items<br>(note 2) | 2002<br>Continuing<br>Operations | Discontinued<br>Operations<br>including | Total<br>US\$M | Continuing<br>Operations<br>US\$M |
|-------|-----------------------------------|--|----------------|-----------------------------------|----------------------------------|----------------------------------|---|----------------|-----------------------------------|
|       |                                   |  |                |                                   |                                  |                                  |   |                |                                   |

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|  |     | Exceptional<br>items)(a)<br>(notes 2,3)<br>US\$M |   |          | US\$M    | including<br>Exceptional<br>items<br>US\$M | exceptional<br>items)(a)<br>(note 3)<br>US\$M |         |          |        |
|--|-----|--|---|----------|----------|--|---|---------|----------|--------|
| Turnover<br>(including<br>share of joint<br>ventures and<br>associates)                                |     |  |   |          |          |  |   |         |          |        |
| Group<br>production  |     | 14 124   | - | 14 124   | 13 038   | -  | 13 038  | 2 550   | 15 588   | 13 8   |
| Third party<br>products  | 4   | 3 382  | - | 3 382    | 2 190    | -  | 2 190   | -       | 2 190    | 2 0    |
|  | 4,5 | 17 506   | - | 17 506   | 15 228   | -  | 15 228  | 2 550   | 17 778   | 15 8   |
| less Share of<br>joint ventures'<br>and<br>associates'<br>turnover<br>included<br>above                | 4,5 | (1 898)  | - | (1 898)  | (1 666)  | -  | (1 666)                                       | (206)   | (1 872)  | (1 09  |
| Group<br>turnover  | 5   | 15 608   | - | 15 608   | 13 562   | -  | 13 562  | 2 344   | 15 906   | 14 7   |
| Net operating<br>costs   | 7   | (12 554)   | - | (12 554) | (10 907) | (111)                                      | (11 018)                                      | (2 285) | (13 303) | (11 70 |
| Group<br>operating<br>profit/(loss)  |     | 3 054  | - | 3 054    | 2 655    | (111)                                      | 2 544   | 59      | 2 603    | 3 0    |
| Share of<br>operating<br>profit/(loss)<br>of joint<br>ventures and<br>associates (b)                   |     | 358  | - | 358      | 329      | -  | 329   | 11      | 340      | 2      |
| Operating<br>profit/(loss)<br>(including<br>share of profit<br>of joint<br>ventures and<br>associates) |     | 3 412  | - | 3 412    | 2 984    | (111)                                      | 2 873   | 70      | 2 943    | 3 2    |
| Comprising:  |     |  |   |          |          |  |   |         |          |        |

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|  |     |       |      |       |       |       |       |     |       |     |
|--|-----|-------|------|-------|-------|-------|-------|-----|-------|-----|
| Group production   |     | 3 369 | -    | 3 369 | 2 956 | (111) | 2 845 | 70  | 2 915 | 3 2 |
| Third party products   | 4   | 43    | -    | 43    | 28    | -     | 28    | -   | 28    |     |
|  |     | 3 412 | -    | 3 412 | 2 984 | (111) | 2 873 | 70  | 2 943 | 3 2 |
| Income from other fixed asset investments                                |     | 16    | -    | 16    | 37    | -     | 37    | 1   | 38    |     |
| Profit on sale of fixed assets   |     | 46    | -    | 46    | 13    | -     | 13    | 15  | 28    |     |
| Profit on sale of operations   |     | 7     | -    | 7     | 68    | -     | 68    | -   | 68    |     |
| Loss on termination of operations (c)                                    | 2   | -     | -    | -     | -     | (101) | (101) | -   | (101) |     |
| Loss on sale of Discontinued Operations                                  | 2   | -     | (19) | (19)  | -     | -     | -     | -   | -     |     |
| Merger transaction costs   | 2   | -     | -    | -     | -     | -     | -     | -   | -     |     |
| Profit/(loss) before net interest and similar items payable and taxation |     | 3 481 | (19) | 3 462 | 3 102 | (212) | 2 890 | 86  | 2 976 | 3 3 |
| Net interest and similar items payable                                   |     |       |      |       |       |       |       |     |       |     |
| Group  | 8   | (444) | -    | (444) | (208) | -     | (208) | (4) | (212) | (3) |
| Joint ventures and associates  | 8   | (93)  | -    | (93)  | (28)  | -     | (28)  | (9) | (37)  | (4) |
| Profit/(loss) before taxation  | 4,5 | 2 944 | (19) | 2 925 | 2 866 | (212) | 2 654 | 73  | 2 727 | 2 9 |
| Taxation   | 10  | (984) | -    | (984) | (961) | (32)  | (993) | 3   | (990) | (9) |
| Profit/(loss) after taxation   |     | 1 960 | (19) | 1 941 | 1 905 | (244) | 1 661 | 76  | 1 737 | 2 0 |

|  |    |       |       |       |       |       |       |     |       |       |
|--|----|-------|-------|-------|-------|-------|-------|-----|-------|-------|
| Equity minority interests                                  |    | (40)  | -     | (40)  | (39)  | -     | (39)  | (8) | (47)  | (3)   |
| Profit/(loss) for the financial year (attributable profit) |    | 1 920 | (19)  | 1 901 | 1 866 | (244) | 1 622 | 68  | 1 690 | 2 000 |
| Dividends to shareholders                                  | 11 | (900) | -     | (900) | (784) | -     | (784) | -   | (784) | (73)  |
| Retained profit/(loss) for the financial year              | 24 | 1 020 | (19)  | 1 001 | 1 082 | (244) | 838   | 68  | 906   | 1 227 |
| Earnings per ordinary share (basic) (US cents)             | 12 | 30.9  | (0.3) | 30.6  | 31.0  | (4.1) | 26.9  | 1.1 | 28.0  | 30.0  |
| Earnings per ordinary share (diluted) (US cents)           | 12 | 30.9  | (0.3) | 30.6  | 31.0  | (4.1) | 26.9  | 1.1 | 28.0  | 30.0  |
| Dividend per ordinary share (US cents)                     | 11 |       |       | 14.5  |       |       |       |     | 13.0  |       |
| Dividend per ordinary share (Australian cents) (d)         | 11 |       |       |       |       |       |       |     |       |       |

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

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

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



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

The accompanying notes form part of these financial statements.

### Consolidated Statement of Consolidated Gains and Losses

for the year ended 30 June 2003

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

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

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

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

The accompanying notes form part of these financial statements.

### Consolidated Balance Sheet

as at 30 June 2003

|  | Notes | 2003<br>US\$M | 2002<br>US\$M |
|--|-------|---------------|---------------|
| Fixed assets   |       |               |               |
| Intangible assets  |       |               |               |
| Goodwill   | 13    | 36            | 42            |
| Negative goodwill  | 13    | (29)          | (33)          |
|  |       | 7             | 9             |
| Tangible assets  | 14    | 19 809        | 20 179        |
| Investments  |       |               |               |
| Joint ventures - share of gross assets                       |       | 2 880         | 2 902         |
| Joint ventures - share of gross liabilities                  |       | (1 477)       | (1 434)       |
|  | 15    | 1 403         | 1 468         |
| Associates   | 15    | -             | 85            |
| Loans to joint ventures and associates and other investments | 15    | 443           | 987           |
| Total fixed assets   |       | 21 662        | 22 728        |
| Current assets   |       |               |               |
| Stocks   | 16    | 1 379         | 1 457         |
| Debtors  |       |               |               |
| Amounts due within one year                                  | 17    | 2 224         | 2 554         |
| Amounts due after more than one year                         | 17    | 1 405         | 1 197         |
|  | 17    | 3 629         | 3 751         |
| Investments  | 18    | 143           | 117           |

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|  |    |         |         |
|--|----|---------|---------|
| Cash including money market deposits                     | 28 | 1 552   | 1 499   |
| Total current assets                                     |    | 6 703   | 6 824   |
| Creditors - amounts falling due within one year          | 19 | (4 207) | (6 229) |
| Net current assets                                       |    | 2 496   | 595     |
| Total assets less current liabilities                    |    | 24 158  | 23 323  |
| Creditors - amounts falling due after more than one year | 20 | (6 849) | (5 987) |
| Provisions for liabilities and charges                   | 21 | (4 978) | (4 654) |
| Net assets   |    | 12 331  | 12 682  |
| Equity minority interests                                |    | (318)   | (326)   |
| Attributable net assets                                  |    | 12 013  | 12 356  |
| Capital and reserves                                     |    |         |         |
| Called up share capital - BHP Billiton Plc               | 22 | 1 234   | 1 160   |
| Share premium account                                    | 24 | 518     | 592     |
| Contributed equity - BHP Billiton Limited                | 22 | 1 785   | 3 143   |
| Profit and loss account                                  | 24 | 8 496   | 7 461   |
| Interest in shares of BHP Billiton Plc (a)               | 25 | (20)    | -       |
| Equity shareholders' funds                               | 25 | 12 013  | 12 356  |

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

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

The financial statements were approved by the Board of Directors on 9 September 2003 and signed on its behalf by:

Don Argus  
Chairman

Charles Goodyear  
Chief Executive Officer

The accompanying notes form part of these financial statements.

### Consolidated Statement of Cash Flows

for the year ended 30 June 2003

|   | 2003    | 2002    | 2001    |
|---|---------|---------|---------|
| Notes   | US\$M   | US\$M   | US\$M   |
| Net cash inflow from Group operating activities (a)                   | 4 793   | 4 605   | 4 816   |
| Dividends received from joint ventures and associates                 | 197     | 149     | 154     |
| Interest paid   | (383)   | (496)   | (587)   |
| Dividends paid on redeemable preference shares                        | (28)    | (35)    | (69)    |
| Interest received   | 36      | 156     | 132     |
| Other dividends received  | 15      | 38      | 39      |
| Dividends paid to minorities  | (38)    | (20)    | (50)    |
| Net cash outflow from returns on investments and servicing of finance | (398)   | (357)   | (535)   |
| Taxes paid  | (1 002) | (606)   | (587)   |
| Refund of taxes paid  | -       | 91      | -       |
| Taxation  | (1 002) | (515)   | (587)   |
| Available cash flow   | 3 590   | 3 882   | 3 848   |
| Purchases of tangible fixed assets                                    | (2 571) | (2 481) | (3 038) |
| Exploration expenditure   | (348)   | (390)   | (341)   |

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|  |            |            |         |
|--|------------|------------|---------|
| Disposals of tangible fixed assets   | 99         | 200        | 339     |
| Purchase of investments and funding of joint ventures                                    | (95)       | (182)      | (677)   |
| Sale of investments and repayments by joint ventures (b)                                 | 560        | 232        | 82      |
| Net cash outflow from capital expenditure and financial investment                       | (2<br>355) | (2<br>621) | (3 635) |
| Investment in subsidiaries   | -          | (45)       | (1 567) |
| Demerger or sale of subsidiaries (b)   | 358        | 190        | 372     |
| Net cash acquired with subsidiary  | -          | -          | 117     |
| Cash transferred on demerger or disposal (b)   | (86)       | (45)       | (61)    |
| Investment in joint ventures   | -          | (208)      | (482)   |
| Disposal of joint ventures and associates  | 133        | 70         | 193     |
| Net cash inflow/(outflow) from acquisitions and disposals                                | 405        | (38)       | (1 428) |
| Net cash flow before equity dividends paid, management of liquid resources and financing | 1 640      | 1 223      | (1 215) |
| Equity dividends paid  | (830)      | (811)      | (751)   |
| Net cash flow before management of liquid resources and financing                        | 810        | 412        | (1 966) |
| Net cash (outflow)/inflow from management of liquid resources                            | (665)      | 157        | 242     |
| Redeemable preference shares   | -          | (423)      | (425)   |
| Finance lease obligations  | -          | (28)       | (4)     |
| Debt due within one year - repayment of loans  | (2<br>683) | (1<br>344) | (668)   |
| Debt due within one year - drawdowns   | 1 435      | 1 657      | 849     |
| Debt due after one year - repayment of loans   | (1<br>438) | (2<br>722) | (998)   |

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|   |       |       |       |
|---|-------|-------|-------|
| Debt due after one year - drawdowns               | 2 263 | 2 318 | 2 072 |
| Net cash outflow from debt and finance leases     | (423) | (542) | 826   |
| Share repurchase scheme - BHP Billiton Plc        | (20)  | -     | 194   |
| Share buy-back program - BHP Billiton Limited     | -     | (19)  | -     |
| Issue of shares                                   | 172   | 140   | 732   |
| Net cash inflow/(outflow) from financing          | (271) | (421) | 1 752 |
| (Decrease)/increase in cash in the financial year | (126) | 148   | 28    |

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

|  | Notes | 2003<br>US\$M | 2002<br>US\$M | 2001<br>US\$M |
|--|-------|---------------|---------------|---------------|
| Reconciliation of net cash flow to movement in net debt        |       |               |               |               |
| (Decrease)/increase in cash in the financial year              |       | (126)         | 148           | 28            |
| Cash flow from debt and finance leases                         |       | 423           | 542           | (826)         |
| Cash flow from management of liquid resources                  |       | 665           | (157)         | (242)         |
| Decrease/(increase) in net debt arising from cash flows        |       | 962           | 533           | (1 040)       |
| Increase in debt from acquisition and disposal of subsidiaries |       | -             | -             | (665)         |
| Other non-cash movements                                       | 28    | 232           | -             | -             |
| (Increase)/decrease in net debt from exchange adjustments      | 28    | (144)         | (34)          | 476           |

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|   |    |         |         |         |
|---|----|---------|---------|---------|
| Decrease/(increase) in net debt             |    | 1 050   | 499     | (1 229) |
| Net debt at beginning of the financial year | 28 | (6 822) | (7 321) | (6 092) |
| Net debt at end of the financial year       | 28 | (5 772) | (6 822) | (7 321) |

(a) Net cash inflow from Group operating activities

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

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

The accompanying notes form part of these financial statements.

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

### Merger terms

On 29 June 2001, BHP Billiton Plc (previously known as Billiton Plc), a UK listed company, and BHP Billiton Limited (previously known 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:

- 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 nor the BHP Billiton Limited Group;
- Continuing Board rationalisation reflecting the equivalence of importance of each party to the merger; and
- No wholesale sale of assets from either side of the business with those assets combined at the time of the merger continuing to be the assets that underpin the BHP Billiton Group presently.

At the date of the merger, the interests of the shareholders of BHP Billiton Plc and BHP Billiton Limited in the BHP Billiton Group were 38.6 per cent and 61.4 per cent respectively. Whilst this might indicate that BHP Billiton Limited would 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 comprised two legacy BHP Billiton Limited Directors and two legacy BHP Billiton Plc Directors) effectively blocked the ability of the legacy BHP Billiton Limited Directors to alter the balance of legacy BHP Billiton Limited and BHP Billiton Plc Directors on the Board of the merged Group, at the expense of BHP Billiton Plc.

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

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

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

## **Accounting Policies**

Basis of accounting

The financial statements have been prepared under the historical cost convention (except as discussed under tangible fixed assets below) and in accordance with applicable UK accounting standards, the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001 and the United Kingdom Companies Act 1985, except as described in note 25 which explains the accounting treatment of the cost of purchasing BHP Billiton Plc's own shares. The financial statements reflect the results and financial position of BHP Billiton Plc, BHP Billiton Limited and their respective subsidiaries. Subsidiaries are entities controlled by either parent entity. Control generally exists where the parent owns a majority of voting rights in the subsidiary. Where the BHP Billiton Group's interest is less than 100 per cent, the share attributable to outside shareholders is reflected in minority interests. The accounting policies have been applied consistently in the preparation of the financial statements with those applied in the prior two years.

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

#### Currency of presentation

All amounts are expressed in US dollars unless otherwise stated.

#### Acquisitions, disposals and goodwill

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

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

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

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

#### Joint ventures

A joint venture is an entity in which the BHP Billiton Group holds a long-term interest and which is jointly controlled by the BHP Billiton Group and one or more other venturers. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity. A formal agreement between these venturers is not necessary to create joint control provided that in practice each relevant venturer's consent is required for strategic decisions.

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

#### Joint arrangements

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

The financial statements of the BHP Billiton Group include its share of the assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the BHP Billiton Group's interest in the joint arrangement.

#### Foreign currencies

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

Transactions denominated in foreign currencies (currencies other than the functional currency of the entity) are recorded using the exchange rate ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on retranslation are included in the profit and loss account, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration which are capitalised in tangible fixed assets.

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

#### Turnover

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

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

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

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

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

#### Exploration, evaluation and development expenditure

In respect of minerals, exploration and evaluation expenditure is charged to the profit and loss account as incurred except where:

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

in which case the expenditure is capitalised.

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

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

#### Deferred overburden removal costs

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

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

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

## Research and development expenditure

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

## Net interest cost

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

## Tangible fixed assets

### Valuation

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

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

## Mineral rights

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

## Mineral leases

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

## Depreciation, depletion and amortisation

The book value of tangible fixed assets (including the original capital expenditure and any subsequent replacement expenditure) is depreciated over the useful economic lives of the specific assets concerned or the life of the mine or

lease, if shorter. The major fixed assets are depreciated on a unit of production and/or straight-line basis as follows:

|  |   |
|--|---|
| Buildings  | 25 to 50 years straight-line  |
| Land   | Not depreciated   |
| Plant and machinery  | 4 to 30 years   |
| Exploration, evaluation and development expenditure of minerals assets and other mining assets | Over the life of the proven and probable reserves                               |
| Petroleum interests  | Over the life of the proved developed oil and gas reserves                      |
| Leasehold land and buildings   | On a straight-line basis over the life of the lease up to a maximum of 50 years |
| Vehicles   | 3 to 5 years  |
| Computer systems   | Up to 8 years   |

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

#### Other tangible fixed assets

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

#### Leases

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

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

Rentals paid on operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Provision is made for future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no probable future benefit. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

#### Other investments

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

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

#### Stocks

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

#### Deferred taxation

##### Corporation tax

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

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

#### Resource rent taxes and royalties

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

#### Provision for employee benefits

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

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

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with annual leave above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of

employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

The BHP Billiton Group operates or participates in a number of pension (including superannuation) schemes throughout the world. The funding of the schemes complies with local regulations. The assets of the schemes are generally held separately from those of the BHP Billiton Group and are administered by trustees or management boards. For schemes of the defined-contribution type or those operated on an industry-wide basis where it is not possible to identify assets attributable to the participation by the BHP Billiton Group's employees, the pension charge is calculated on the basis of contributions payable.

For defined benefit schemes, the cost of providing pensions is charged to the profit and loss account so as to allocate the cost systematically over the employees' service lives on the basis of independent actuarial advice. This is consistent with Statement of Standard Accounting Practice (SSAP) 24 'Accounting for Pension Costs'. This basis of measurement takes into account the performance of scheme assets and changes in the funded status of each scheme, to the extent that deficits represent a legal or constructive obligation of the Group to its employees and that surpluses are recoverable by the Group, over the expected remaining service lives of employees. A pension liability or asset is consequently recognised in the balance sheet to the extent that the contributions payable either lag or precede expense recognition. The liability or asset therefore represents those funding deficits or surpluses together with changes in the funding status of the schemes that will be recognised in the profit and loss account in future periods.

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

#### Decommissioning, site restoration and environmental provisions

BHP Billiton Group companies are generally required to restore mines, oil and gas facilities and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the BHP Billiton Group's environmental policies.

The expected cost of any approved decommissioning or restoration program, discounted to its net present value, is provided when the related environmental disturbance occurs, based on the BHP Billiton Group's interpretation of environmental and regulatory requirements and its own environmental policies where these are more onerous. The cost is capitalised where it gives rise to future benefits. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included with interest and similar items. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site.

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



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

#### Employee share awards

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

#### Financial instruments

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

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

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

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

- (a) deferred and included in the measurement of the anticipated transaction when it occurs; or
- (b) taken to the profit and loss account where the anticipated transaction is no longer expected to occur.

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

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

#### Use of estimates

The preparation of the BHP Billiton Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported turnover and costs during the reported period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, turnover and costs. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the

carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### Comparatives

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

### Exchange rates

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

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

### 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:

|      |                          |                    | BHP Billiton<br>Group's<br>effective interest |                      |
|------|--------------------------|--------------------|---|----------------------|
| Name | Country of incorporation | Principal activity | 30 June<br>2003<br>%                          | 30 June<br>2002<br>% |
|      |                          |                    |   |                      |

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|  |             |   |     |     |
|--|-------------|---|-----|-----|
| Beswick Pty Ltd                              | Australia   | Investment                                | 100 | 100 |
| BHP Billiton Diamonds Inc                    | Canada      | Diamond mining                            | 100 | 100 |
| BHP Billiton Finance BV                      | Netherlands | Finance                                   | 100 | 100 |
| BHP Billiton Finance Ltd                     | Australia   | Finance                                   | 100 | 100 |
| BHP Billiton Finance (USA) Ltd (a)           | Australia   | Finance                                   | 100 | 100 |
| BHP Billiton Group Operations Pty Ltd        | Australia   | Administrative services                   | 100 | 100 |
| BHP Billiton Investments (Jersey) Ltd        | Jersey      | Holding company                           | 100 | 100 |
| BHP Billiton Iron Ore Pty Ltd                | Australia   | Management company and iron ore marketing | 100 | 100 |
| BHP Billiton Marketing AG                    | Switzerland | Marketing and trading                     | 100 | 100 |
| BHP Billiton Minerals Pty Ltd                | Australia   | Iron ore, silver, lead and zinc mining    | 100 | 100 |
| BHP Billiton Petroleum (Americas) Inc        | US          | Hydrocarbons exploration and production   | 100 | 100 |
| BHP Billiton Petroleum (Australia) Pty Ltd   | Australia   | Hydrocarbons exploration and production   | 100 | 100 |
| BHP Billiton Petroleum (Bass Strait) Pty Ltd | Australia   | Hydrocarbons exploration and production   | 100 | 100 |
| BHP Billiton Petroleum (Deepwater) Inc       | US          | Hydrocarbons exploration and production   | 100 | 100 |
| BHP Billiton Petroleum (GOM) Inc             | US          | Hydrocarbons exploration and production   | 100 | 100 |
| BHP Billiton Petroleum (NWS) Pty Ltd         | Australia   | Hydrocarbons exploration and production   | 100 | 100 |
| BHP Billiton Petroleum Great Britain Ltd     | UK          | Hydrocarbons exploration and production   | 100 | 100 |

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|   |              |   |       |       |
|---|--------------|---|-------|-------|
| BHP Billiton Petroleum                        |              |   |       |       |
| (International Exploration) Pty Ltd           | Australia    | Hydrocarbons exploration and production | 100   | 100   |
| BHP Billiton Petroleum (Victoria) Pty Ltd     | Australia    | Hydrocarbons exploration and production | 100   | 100   |
| BHP Billiton SA Ltd                           | South Africa | Holding and service company             | 100   | 100   |
| BHP Billiton Services Jersey Ltd              | Jersey       | Service company                         | 100   | 100   |
| BHP Billiton Shared Business Services Pty Ltd | Australia    | Administrative services                 | 100   | 100   |
| BHP Billiton Tintaya SA                       | Peru         | Copper mining                           | 99.95 | 99.95 |
| BHP Billiton Transport and Logistics Pty Ltd  | Australia    | Transport services                      | 100   | 100   |
| BHP Billiton (Trinidad - 2c) Ltd              | Canada       | Hydrocarbons exploration and production | 100   | 100   |
| BHP Billiton World Exploration Inc            | Canada       | Exploration                             | 100   | 100   |
| BHP Coal Holding Pty Ltd                      | Australia    | Holding company                         | 100   | 100   |
| BHP Coal Pty Ltd                              | Australia    | Holding company and coal mining         | 100   | 100   |
| BHP Copper Inc                                | US           | Holding company and copper mining       | 100   | 100   |
| BHP Development Finance Pty Ltd               | Australia    | Finance                                 | 100   | 100   |
| BHP Holdings (USA) Inc                        | US           | Holding company                         | 100   | 100   |
| BHP International Finance Corporation         | US           | Finance                                 | 100   | 100   |
| BHP Minerals Exploration Inc                  | US           | Holding company                         | 100   | 100   |

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|   |              |   |     |      |
|---|--------------|---|-----|------|
| BHP Mitsui Coal Pty Ltd                 | Australia    | Holding company and coal mining           | 80  | 80   |
| BHP Navajo Coal Company                 | US           | Coal mining                               | 100 | 100  |
| BHP Nominees Pty Ltd                    | Australia    | Holding company                           | 100 | 100  |
| BHP Operations Inc                      | US           | Finance                                   | 100 | 100  |
| BHP Petroleum (Pakistan) Pty Ltd        | Australia    | Hydrocarbons exploration and production   | 100 | 100  |
| BHP Queensland Coal Investments Pty Ltd | Australia    | Holding company and coal mining           | 100 | 100  |
| BHP Queensland Coal Ltd                 | US           | Coal mining                               | 100 | 100  |
| BHP Steel (AIS) Pty Ltd (b)             | Australia    | Iron and steel production and coal mining | -   | 100  |
| BHP Steel Investments Inc (b)           | US           | Steel production                          | -   | 100  |
| BHP Steel Ltd (b)                       | Australia    | Rollforming and coating of sheet steel    | -   | 100  |
| BHP Steel Malaysia Sdn Bhd (b)          | Malaysia     | Steel coating                             | -   | 60   |
| BHP Steel Thailand Ltd (b)              | Thailand     | Steel coating                             | -   | 87.5 |
| BHP (USA) Investments Inc               | US           | Investment                                | 100 | 100  |
| Billiton Aluminium Australia Pty Ltd    | Australia    | Bauxite mining and alumina refining       | 100 | 100  |
| Billiton Aluminium South Africa Ltd     | South Africa | Aluminium smelting                        | 100 | 100  |
| Billiton Coal Australia Pty Ltd         | Australia    | Coal mining                               | 100 | 100  |
| Billiton Development BV                 | Netherlands  | Exploration                               | 100 | 100  |

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|   |              |   |      |      |
|---|--------------|---|------|------|
| Billiton Marketing Holding BV           | Netherlands  | Marketing and trading                   | 100  | 100  |
| Billiton Metais SA                      | Brazil       | Alumina refining and aluminium smelting | 100  | 100  |
| Broken Hill Proprietary (USA) Inc       | US           | Service company                         | 100  | 100  |
| Cerro Matoso SA                         | Colombia     | Nickel mining and ferro-nickel smelting | 99.8 | 99.8 |
| Compania Minera Cerro Colorado Limitada | Chile        | Copper mining                           | 100  | 100  |
| Compania Minera Riochilex SA            | Chile        | Copper exploration                      | 100  | 100  |
| Dia Met Minerals Ltd                    | Canada       | Diamond mining                          | 100  | 100  |
| Endeavour Coal Pty Ltd                  | Australia    | Coal mining                             | 100  | 100  |
| Gengro Limited                          | South Africa | Investment holding company              | 100  | 100  |
| Groote Eylandt Mining Co Pty Limited    | Australia    | Manganese mining                        | 60   | 60   |
| Illawarra Coal Holdings Pty Ltd         | Australia    | Coal mining                             | 100  | 100  |
| Ingwe Coal Corporation Limited          | South Africa | Coal mining                             | 100  | 100  |
| PT BHP Steel Indonesia (b)              | Indonesia    | Steel coating                           | -    | 74   |
| QNI Pty Ltd                             | Australia    | Holding company                         | 100  | 100  |
| QNI Resources Pty Ltd                   | Australia    | Nickel refining                         | 100  | 100  |
| QNI Metals Pty Ltd                      | Australia    | Nickel refining                         | 100  | 100  |
| Rio Algom Limited                       | Canada       | Holding company                         | 100  | 100  |
| Samancor Limited                        | South Africa |   | 60   | 60   |

|  |             |  |     |     |
|--|-------------|--|-----|-----|
|  |             | Chrome and manganese mining and production |     |     |
| Samancor AG                                | Switzerland | Marketing and trading                      | 60  | 60  |
| San Juan Coal Company                      | US          | Coal mining                                | 100 | 100 |
| San Juan Transportation Company            | US          | Coal transportation                        | 100 | 100 |
| Tasmanian Electro Metallurgical Co Pty Ltd | Australia   | Manganese alloys                           | 60  | 60  |
| Tasman Steel Holdings Limited (b)          | New Zealand | Iron and steel production                  | -   | 100 |

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

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

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

1 Principal subsidiaries, joint ventures, associates and joint arrangements

Joint ventures

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

|                               |                          |                                     | BHP Billiton Group's effective interest |                |
|-------------------------------|--------------------------|-------------------------------------|---|----------------|
| Name                          | Country of incorporation | Principal activity                  | 30 June 2003 %                          | 30 June 2002 % |
| Minera Antamina SA            | Peru                     | Copper and zinc mining              | 34                                      | 34             |
| Carbones del Cerrejon LLC (a) | Colombia                 | Coal mining                         | 33                                      | 33             |
| Highland Valley Copper        | Canada                   | Copper mining                       | 34                                      | 34             |
| North Star BHP Steel (b)      | US                       | Steel manufacturing - flat products | -                                       | 50             |

|                                     |              |                                    |    |    |
|-------------------------------------|--------------|------------------------------------|----|----|
| Orinoco Iron CA                     | Venezuela    | HBI production                     | 50 | 50 |
| Richards Bay Minerals (c)           | South Africa | Titanium dioxide and mineral sands | 50 | 50 |
| Samarco Mineracao SA                | Brazil       | Iron ore mining                    | 50 | 50 |
| South Blackwater                    | Australia    | Coal mining                        | 50 | 50 |
| Caesar Oil Pipeline Company LLC     | US           | Hydrocarbons transportation        | 25 | 25 |
| Cleopatra Gas Gathering Company LLC | US           | Hydrocarbons transportation        | 22 | 22 |
| Integris Metals                     | US           | Metals distribution                | 50 | 50 |

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

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

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

|  |                          |                                     | BHP Billiton Group's effective interest |                |
|--|--------------------------|-------------------------------------|---|----------------|
| Name   | Country of incorporation | Principal activity                  | 30 June 2003 %                          | 30 June 2002 % |
| Tisand (Pty) Limited                         | South Africa             | Mineral sands mining                | 51                                      | 51             |
| Richards Bay Iron and Titanium (Pty) Limited | South Africa             | Titanium dioxide, zircon and rutile | 49                                      | 49             |

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



## Associates

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

|                           |                          |                        | BHP Billiton Group's effective interest |                |
|---------------------------|--------------------------|------------------------|---|----------------|
| Name                      | Country of incorporation | Principal activity     | 30 June 2003 %                          | 30 June 2002 % |
| Minera Alumbraera Limited | Argentina                | Copper and gold mining | -                                       | 25             |

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

## Proportionally included joint arrangements

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

|             |                          |   | BHP Billiton Group's effective interest |                |
|-------------|--------------------------|---|---|----------------|
| Name        | Country of incorporation | Principal activity                      | 30 June 2003 %                          | 30 June 2002 % |
| Atlantis    | US                       | Hydrocarbons exploration and production | 44                                      | 44             |
| Bass Strait | Australia                | Hydrocarbons exploration and production | 50                                      | 50             |
| Boris       | US                       | Hydrocarbons exploration and production | 50                                      | 50             |
| Bruce       | UK                       | Hydrocarbons exploration and production | 16                                      | 16             |
| Griffin     | Australia                | Hydrocarbons exploration and production | 45                                      | 45             |

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|                            |            |   |       |       |
|----------------------------|------------|---|-------|-------|
| Gulf of Mexico             | US         | Hydrocarbons exploration and production | 5-100 | 5-100 |
| Keith                      | UK         | Hydrocarbons exploration and production | 32    | 32    |
| Laminaria                  | Australia  | Hydrocarbons exploration and production | 25-33 | 25-33 |
| Liverpool Bay              | UK         | Hydrocarbons exploration and production | 46    | 46    |
| Mad Dog                    | US         | Hydrocarbons exploration and production | 23.9  | 23.9  |
| Mamore                     | Bolivia    | Hydrocarbons exploration and production | 50    | 50    |
| North West Shelf           | Australia  | Hydrocarbons exploration and production | 8-17  | 8-17  |
| Ohanet                     | Algeria    | Hydrocarbons exploration and production | 45    | 45    |
| ROD Integrated Development | Algeria    | Hydrocarbons exploration and production | 36.04 | 38.75 |
| Trinidad 2c - Angostura    | Trinidad   | Hydrocarbons exploration and production | 45    | 45    |
| Typhoon                    | US         | Hydrocarbons exploration and production | 50    | 50    |
| Zamzama                    | Pakistan   | Hydrocarbons exploration and production | 38.5  | 38.5  |
| Alumar                     | Brazil     | - Alumina refining                      | 36    | 36    |
|                            |            | - Aluminium smelting                    | 46    | 46    |
| Billiton Suriname          | Suriname   | - Bauxite mining                        | 76    | 76    |
|                            |            | - Alumina refining                      | 45    | 45    |
| Mozal                      | Mozambique | Aluminium smelting                      | 47.1  | 47.1  |

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|                                    |              |                                     |      |      |
|------------------------------------|--------------|-------------------------------------|------|------|
| Valesul Aluminio                   | Brazil       | Aluminium smelting                  | 45.5 | 45.5 |
| Worsley                            | Australia    | Bauxite mining and alumina refining | 86   | 86   |
| Escondida                          | Chile        | Copper mining                       | 57.5 | 57.5 |
| Central Queensland Coal Associates | Australia    | Coal mining                         | 50   | 50   |
| Gregory                            | Australia    | Coal mining                         | 50   | 50   |
| Mt Goldsworthy                     | Australia    | Iron ore mining                     | 85   | 85   |
| Mt Newman                          | Australia    | Iron ore mining                     | 85   | 85   |
| Yandi                              | Australia    | Iron ore mining                     | 85   | 85   |
| Ekati                              | Canada       | Diamond mining                      | 80   | 80   |
| Douglas Colliery                   | South Africa | Coal mining                         | 84   | 84   |
| Middelburg Mine                    | South Africa | Coal mining                         | 84   | 84   |
| Richards Bay Coal Terminal         | South Africa | Coal exporting                      | 37   | 37   |
| Rietspruit Mine                    | South Africa | Coal mining                         | 50   | 50   |

## 2 Exceptional items

|  | Gross<br>2003<br>US\$M | Tax<br>2003<br>US\$M | Net<br>2003<br>US\$M |
|--|------------------------|----------------------|----------------------|
| Exceptional items by category                |                        |                      |                      |
| Loss on sale of 6% interest in BHP Steel (a) | (19)                   | -                    | (19)                 |
| Total by category                            | (19)                   | -                    | (19)                 |
| Exceptional items by Customer Sector Group   |                        |                      |                      |

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|                                |      |   |      |
|--------------------------------|------|---|------|
| Discontinued Operations        | (19) | - | (19) |
| Total by Customer Sector Group | (19) | - | (19) |

|   | Gross | Tax   | Net   |
|---|-------|-------|-------|
|   | 2002  | 2002  | 2002  |
|   | US\$M | US\$M | US\$M |
| Exceptional items by category                     |       |       |       |
| Termination of operations                         |       |       |       |
| Write-down in carrying values of assets           |       |       |       |
| Base Metals                                       |       |       |       |
| Southwest Copper assets (b)                       | (171) | -     | (171) |
| Reductions in provisions                          |       |       |       |
| Base Metals                                       |       |       |       |
| Southwest Copper closure provisions (b)           | 70    | -     | 70    |
|   | (101) | -     | (101) |
| Exceptional taxation items                        |       |       |       |
| Group and unallocated items                       |       |       |       |
| Change in UK tax rate on petroleum operations (c) |       | (56)  | (56)  |
|   |       | (56)  | (56)  |
| Other exceptional items                           |       |       |       |
| Suspension of operations                          |       |       |       |

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|   |       |      |       |
|---|-------|------|-------|
| Base Metals   |       |      |       |
| Charges associated with suspension of Tintaya sulphide operations (d) | (31)  | 9    | (22)  |
|   | (31)  | 9    | (22)  |
| Merger related restructuring costs                                    |       |      |       |
| Petroleum   | (4)   | 1    | (3)   |
| Aluminium   | (4)   | -    | (4)   |
| Base Metals   | (13)  | 1    | (12)  |
| Carbon Steel Materials  | (6)   | 1    | (5)   |
| Diamonds and Specialty Products                                       | (6)   | 2    | (4)   |
| Energy Coal   | (5)   | 1    | (4)   |
| Stainless Steel Materials   | (3)   | -    | (3)   |
| Group and unallocated items   | (39)  | 9    | (30)  |
|   | (80)  | 15   | (65)  |
| Total by category   | (212) | (32) | (244) |

|  | Gross<br>2002<br>US\$M | Tax<br>2002<br>US\$M | Net<br>2002<br>US\$M |
|--|------------------------|----------------------|----------------------|
| Exceptional items by Customer Sector Group |                        |                      |                      |
| Petroleum                                  | (4)                    | 1                    | (3)                  |
| Aluminium                                  | (4)                    | -                    | (4)                  |
| Base Metals                                | (145)                  | 10                   | (135)                |

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|   |                        |                      |                      |
|---|------------------------|----------------------|----------------------|
| Carbon Steel Materials                        | (6)                    | 1                    | (5)                  |
| Diamonds and Specialty Products               | (6)                    | 2                    | (4)                  |
| Energy Coal                                   | (5)                    | 1                    | (4)                  |
| Stainless Steel Materials                     | (3)                    | -                    | (3)                  |
| Group and unallocated items                   | (39)                   | (47)                 | (86)                 |
| Total by Customer Sector Group                | (212)                  | (32)                 | (244)                |
|   | Gross<br>2001<br>US\$M | Tax<br>2001<br>US\$M | Net<br>2001<br>US\$M |
| Exceptional items by category                 |                        |                      |                      |
| Sale of fixed assets                          |                        |                      |                      |
| Carbon Steel Materials                        |                        |                      |                      |
| Equalisation of Queensland Coal interests (e) | 128                    | -                    | 128                  |
|   | 128                    | -                    | 128                  |
| Termination of operations                     |                        |                      |                      |
| Group and unallocated items                   |                        |                      |                      |
| Ok Tedi copper mine (f)                       | (430)                  | 14                   | (416)                |
|   | (430)                  | 14                   | (416)                |
| Merger transaction costs                      |                        |                      |                      |
| Group and unallocated items                   | (92)                   | -                    | (92)                 |
|   | (92)                   | -                    | (92)                 |
| Exceptional taxation items                    |                        |                      |                      |
| Group and unallocated items                   |                        |                      |                      |

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|  |       |      |       |
|--|-------|------|-------|
| Income tax audit (g)                                   |       | (33) | (33)  |
|  |       | (33) | (33)  |
| Other exceptional items                                |       |      |       |
| Restructuring costs and provisions                     |       |      |       |
| Discontinued Operations (h)                            | (22)  | 7    | (15)  |
| Merger related restructuring costs                     |       |      |       |
| Base Metals  | (7)   | 2    | (5)   |
| Diamonds and Specialty Products                        | (7)   | 1    | (6)   |
| Group and unallocated items                            | (22)  | 6    | (16)  |
| Net interest   | (6)   | -    | (6)   |
|  | (64)  | 16   | (48)  |
| Write-down in carrying values of assets and provisions |       |      |       |
| Group and unallocated items                            |       |      |       |
| HBI Venezuela (i)                                      | (520) | 110  | (410) |
| Energy Coal  |       |      |       |
| Lakes Mines  | (26)  | 6    | (20)  |
| Stainless Steel Materials                              |       |      |       |
| Columbus JV  | (114) | 30   | (84)  |
|  | (660) | 146  | (514) |

|  |       |       |       |
|--|-------|-------|-------|
|  | Gross | Tax   | Net   |
|  | 2001  | 2001  | 2001  |
|  | US\$M | US\$M | US\$M |

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|   |         |      |       |
|---|---------|------|-------|
| Exceptional items by category               |         |      |       |
| continued                                   |         |      |       |
| Sale of expansion rights                    |         |      |       |
| Aluminium                                   |         |      |       |
| Mozal II (j)                                | 61      | (21) | 40    |
|   | 61      | (21) | 40    |
| Employee share awards accelerated by merger |         |      |       |
| Aluminium                                   | (8)     | 2    | (6)   |
| Base Metals                                 | (1)     | -    | (1)   |
| Carbon Steel Materials                      | (2)     | 2    | -     |
| Diamonds and Specialty Products             | (6)     | 2    | (4)   |
| Energy Coal                                 | (8)     | 2    | (6)   |
| Stainless Steel Materials                   | (9)     | 1    | (8)   |
| Group and unallocated items                 | (3)     | 1    | (2)   |
|   | (37)    | 10   | (27)  |
| Total by category                           | (1 094) | 132  | (962) |
| Exceptional items by Customer Sector Group  |         |      |       |
| Aluminium                                   | 53      | (19) | 34    |
| Base Metals                                 | (8)     | 2    | (6)   |
| Carbon Steel Materials                      | 126     | 2    | 128   |
| Diamonds and Specialty Products             | (13)    | 3    | (10)  |
| Energy Coal                                 | (34)    | 8    | (26)  |
| Stainless Steel Materials                   | (123)   | 31   | (92)  |



|                                |         |     |       |
|--------------------------------|---------|-----|-------|
| Discontinued Operations (h)    | (22)    | 7   | (15)  |
| Group and unallocated items    | (1 067) | 98  | (969) |
| Net interest                   | (6)     | -   | (6)   |
| Total by Customer Sector Group | (1 094) | 132 | (962) |

- (a) A 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's Steel business. This was sold in July 2002 for US\$75 million and the loss of US\$19 million associated with this sale has been recognised in the year ended 30 June 2003 as an exceptional item in relation to Discontinued Operations.
- (b) Following a reassessment of the Group's asset disposal and closure plans relating to its Southwest Copper business in the US (where the Group ceased operations in 1999), impairment provisions, principally related to the San Manuel smelter, were increased by US\$171 million. This was offset by a reduction of US\$70 million in provisions relating to the expected timing of site restoration expenditure.
- (c) In June 2002, a change in legislation increased the corporation taxation rate for petroleum operations in the United Kingdom from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated by US\$56 million.
- (d) As at 30 June 2002, sulphide operations at Tintaya had been suspended until at least January 2003. An exceptional charge of US\$31 million recognised the costs of the suspension and a write-down of obsolete equipment.
- (e) In June 2001, the BHP Billiton Group and Mitsubishi agreed to equalise their interests in the Central Queensland Coal Associates and Gregory joint ventures which involved the BHP Billiton Group selling to Mitsubishi a proportion of its interests resulting in the profit disclosed above.
- (f) In 2001, the Group and unallocated items segment result includes a US\$416 million write-off reflecting 100 per cent of the net assets of Ok Tedi which is prior to deducting minority interests of US\$262 million. From 1 July 2001 no profit from Ok Tedi has been recognised by the BHP Billiton Group except to the extent that actual dividends have been received by the BHP Billiton Group. The BHP Billiton Group completed its withdrawal from the Ok Tedi copper mine on 8 February 2002, transferring its 52 per cent interest to an independent Program Company that will operate for the benefit of the people of Papua New Guinea.
- (g) As a consequence of an income tax audit conducted by the Australian Taxation Office (ATO), an amount of US\$118 million had been subject to litigation. The dispute concerned the deductibility of financing costs paid to General Electric Company in connection with the BHP Billiton Limited Group's acquisition of the Utah Group in the early 1980s. On 23 November 1999, the Federal Court ruled in favour of the BHP Billiton Group. On 18 October 2000, the Full Bench of the Federal Court ruled in favour of the ATO. The BHP Billiton Group sought leave to appeal to the High Court of Australia (High Court) and the hearing occurred on 10 August 2001. The High Court refused the BHP Billiton Group leave to appeal on the general question of deductibility but did allow leave to appeal on the question of whether the ATO had the power to amend the 1985 assessment.

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

Billiton Group together with associated interest and penalties.

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

(i) On 29 March 2001, the BHP Billiton Limited Group announced that it would cease further investment in HBI Venezuela. The total loss on the write-off of the equity investment in HBI Venezuela and the establishment of provisions to cover related financial obligations to banks and other associated costs was US\$520 million (US\$410 million net of tax).

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

### 3 Discontinued Operations

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

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

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

The impact of these steps was:

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

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

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

|  |      |
|--|------|
|  | 2002 |
|--|------|

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

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

#### 4 Analysis by business segment

|  | External turnover | Inter-segment turnover | Profit/(loss) before taxation | Net operating assets (refer note 6) | Depreciation and amortisation | Other non-cash expenses | Capital expenditure |
|--|-------------------|------------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------|---------------------|
|  | US\$M             | US\$M                  | US\$M                         | US\$M                               | US\$M                         | US\$M                   | US\$M               |
|  |                   |                        |                               |                                     |                               |                         |                     |

|                                 |        |     |       |        |       |     |       |
|---------------------------------|--------|-----|-------|--------|-------|-----|-------|
| Group including joint ventures  |        |     |       |        |       |     |       |
| and associates (a)(b)           |        |     |       |        |       |     |       |
| Year ended 30 June 2003         |        |     |       |        |       |     |       |
| Petroleum                       | 3 260  | 4   | 1 178 | 3 293  | 549   | 50  | 861   |
| Aluminium                       | 3 386  | -   | 581   | 5 095  | 233   | -   | 462   |
| Base Metals (c)                 | 1 954  | -   | 286   | 3 877  | 257   | (2) | 201   |
| Carbon Steel Materials          | 3 688  | 26  | 1 045 | 2 567  | 192   | 7   | 479   |
| Diamonds and Specialty Products | 1 474  | 11  | 299   | 1 518  | 105   | -   | 101   |
| Energy Coal                     | 2 089  | -   | 190   | 2 193  | 177   | 2   | 300   |
| Stainless Steel Materials       | 1 106  | -   | 150   | 1 695  | 96    | 10  | 121   |
| Group and unallocated items     | 549    | 465 | (248) | 340    | 39    | 66  | 46    |
| Exceptional items               |        |     | -     |        |       |     |       |
| Total Continuing Operations     | 17 506 | 506 | 3 481 | 20 578 | 1 648 | 133 | 2 571 |
| Discontinued Operations (d)     | -      | -   | (19)  | -      | -     | -   | -     |

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|                                 |        |     |       |        |       |     |       |
|---------------------------------|--------|-----|-------|--------|-------|-----|-------|
| Net interest                    |        |     | (537) |        |       |     |       |
| Total BHP Billiton Group        | 17 506 | 506 | 2 925 | 20 578 | 1 648 | 133 | 2 571 |
| Year ended 30 June 2002         |        |     |       |        |       |     |       |
| Petroleum                       | 2 780  | 35  | 1 073 | 2 865  | 571   | 4   | 687   |
| Aluminium                       | 2 857  | -   | 492   | 4 727  | 234   | (4) | 291   |
| Base Metals (c)                 | 1 821  | -   | 192   | 4 062  | 233   | 8   | 578   |
| Carbon Steel Materials          | 3 140  | 166 | 1 084 | 2 412  | 183   | 31  | 284   |
| Diamonds and Specialty Products | 1 474  | 6   | 272   | 1 620  | 76    | 1   | 121   |
| Energy Coal                     | 1 919  | -   | 536   | 2 092  | 176   | 5   | 295   |
| Stainless Steel Materials       | 868    | -   | 3     | 1 663  | 89    | 2   | 84    |
| Group and unallocated items     | 369    | 361 | (550) | 705    | 33    | 59  | 43    |
| Exceptional items               |        |     | (212) |        |       | 153 |       |
| Total Continuing Operations     | 15 228 | 568 | 2 890 | 20 146 | 1 595 | 259 | 2 383 |
| Discontinued Operations (d)     | 2 550  | -   | 86    | 2 248  | 132   | 4   | 98    |
| Net interest                    |        |     | (249) |        |       |     |       |

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|                          |        |     |       |        |       |     |       |
|--------------------------|--------|-----|-------|--------|-------|-----|-------|
| Total BHP Billiton Group | 17 778 | 568 | 2 727 | 22 394 | 1 727 | 263 | 2 481 |
|--------------------------|--------|-----|-------|--------|-------|-----|-------|

|  | External turnover<br>US\$M | Inter-segment turnover<br>US\$M | Profit/(loss) before taxation<br>US\$M | Net operating assets (refer note 6)<br>US\$M | Depreciation and amortisation<br>US\$M | Other non-cash expenses<br>US\$M | Capital expenditure<br>US\$M |
|--|----------------------------|---------------------------------|--|--|--|----------------------------------|------------------------------|
| Group including joint ventures and associates (a)(b) continued |                            |                                 |  |  |  |                                  |                              |
| Year ended 30 June 2001  |                            |                                 |  |  |  |                                  |                              |
| Petroleum  | 3 340                      | 21                              | 1 407                                  | 2 504  | 500                                    | (4)                              | 432                          |
| Aluminium  | 2 971                      | -                               | 523                                    | 4 730  | 198                                    | -                                | 1 635                        |
| Base Metals (c)  | 1 719                      | -                               | 452                                    | 3 785  | 216                                    | 1                                | 270                          |
| Carbon Steel Materials   | 3 165                      | 184                             | 918                                    | 2 226  | 186                                    | 31                               | 184                          |
| Diamonds and Specialty Products                                | 1 313                      | 5                               | 188                                    | 1 488  | 38                                     | 4                                | 36                           |

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|                             |        |     |         |        |       |     |       |
|-----------------------------|--------|-----|---------|--------|-------|-----|-------|
| Energy Coal                 | 1 982  | -   | 382     | 1 986  | 184   | -   | 171   |
| Stainless Steel Materials   | 994    | -   | 72      | 1 736  | 82    | 4   | 212   |
| Group and unallocated items | 381    | 368 | (555)   | 1 143  | 106   | 80  | 39    |
| Exceptional items           |        |     | (1 066) |        |       | 546 |       |
| Total Continuing Operations | 15 865 | 578 | 2 321   | 19 598 | 1 510 | 662 | 2 979 |
| Discontinued Operations (d) | 3 214  | 6   | 218     | 2 114  | 162   | 15  | 59    |
| Net interest                |        |     | (476)   |        |       |     |       |
| Total BHP Billiton Group    | 19 079 | 584 | 2 063   | 21 712 | 1 672 | 677 | 3 038 |

|   | External turnover |       |       | Profit/(loss) before taxation |       |       | Net operating assets (refer note 6) |       |       |
|---|-------------------|-------|-------|-------------------------------|-------|-------|-------------------------------------|-------|-------|
|   | 2003              | 2002  | 2001  | 2003                          | 2002  | 2001  | 2003                                | 2002  | 2001  |
|   | US\$M             | US\$M | US\$M | US\$M                         | US\$M | US\$M | US\$M                               | US\$M | US\$M |
| Joint ventures and associates (e)(f)(g) |                   |       |       |                               |       |       |                                     |       |       |
| Petroleum                               | -                 | -     | -     | -                             | -     | -     | 70                                  | 25    | -     |
| Aluminium                               | -                 | 40    | 32    | -                             | -     | 1     | -                                   | -     | 4     |

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|                                 |       |       |       |      |      |       |       |       |       |
|---------------------------------|-------|-------|-------|------|------|-------|-------|-------|-------|
| Base Metals (c)                 | 432   | 424   | 90    | 61   | 56   | 25    | 802   | 1 062 | 1 122 |
| Carbon Steel Materials          | 244   | 244   | 438   | 80   | 75   | 109   | 314   | 334   | 355   |
| Diamonds and Specialty Products | 1 005 | 749   | 269   | 170  | 165  | 162   | 580   | 674   | 296   |
| Energy Coal                     | 204   | 129   | 83    | 45   | 35   | 16    | 637   | 646   | 393   |
| Stainless Steel Materials       | 13    | 80    | 162   | 2    | (3)  | (11)  | 4     | 3     | 140   |
| Group and unallocated items     | -     | -     | 20    | -    | 1    | (23)  | -     | -     | -     |
| Exceptional items               |       |       |       | -    | -    | (634) |       |       |       |
| Total Continuing Operations     | 1 898 | 1 666 | 1 094 | 358  | 329  | (355) | 2 407 | 2 744 | 2 310 |
| Discontinued Operations (d)     | -     | 206   | 196   | -    | 11   | 2     | -     | 172   | 245   |
| Net interest                    |       |       |       | (93) | (37) | (63)  |       |       |       |
| Total BHP Billiton Group        | 1 898 | 1 872 | 1 290 | 265  | 303  | (416) | 2 407 | 2 916 | 2 555 |

|                                    | Turnover |       |       | Profit/(loss) before taxation |       |       |
|------------------------------------|----------|-------|-------|-------------------------------|-------|-------|
|                                    | 2003     | 2002  | 2001  | 2003                          | 2002  | 2001  |
|                                    | US\$M    | US\$M | US\$M | US\$M                         | US\$M | US\$M |
| Third party product included above |          |       |       |                               |       |       |
| Petroleum                          | 296      | 72    | 57    | 1                             | 1     | 1     |



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|                                 |       |       |       |     |     |    |
|---------------------------------|-------|-------|-------|-----|-----|----|
| Aluminium                       | 1 333 | 1 006 | 1 014 | 28  | 13  | 14 |
| Base Metals                     | 38    | 24    | 13    | 5   | -   | -  |
| Carbon Steel Materials          | 26    | 22    | 40    | (2) | -   | 1  |
| Diamonds and Specialty Products | 747   | 823   | 797   | 10  | 9   | 23 |
| Energy Coal                     | 413   | 122   | 100   | (1) | 9   | 6  |
| Stainless Steel Materials       | 10    | 9     | 6     | 1   | 1   | -  |
| Group and unallocated items     | 519   | 112   | -     | 1   | (5) | -  |
|                                 | 3 382 | 2 190 | 2 027 | 43  | 28  | 45 |

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

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

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

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

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

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

US\$nil (2002: US\$nil).

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

## 5 Analysis by geographical segment

|                                 | Group  |        |        | Joint ventures and associates |       |       | Total  |        |        |
|---------------------------------|--------|--------|--------|-------------------------------|-------|-------|--------|--------|--------|
|                                 | 2003   | 2002   | 2001   | 2003                          | 2002  | 2001  | 2003   | 2002   | 2001   |
|                                 | US\$M  | US\$M  | US\$M  | US\$M                         | US\$M | US\$M | US\$M  | US\$M  | US\$M  |
| Analysis by geographical market |        |        |        |                               |       |       |        |        |        |
| Turnover                        |        |        |        |                               |       |       |        |        |        |
| Continuing Operations           |        |        |        |                               |       |       |        |        |        |
| Australia                       | 1 769  | 1 437  | 1 432  | 6                             | 5     | 2     | 1 775  | 1 442  | 1 434  |
| Europe                          | 5 136  | 4 064  | 3 810  | 446                           | 366   | 329   | 5 582  | 4 430  | 4 139  |
| Japan                           | 2 269  | 1 941  | 2 411  | 124                           | 137   | 120   | 2 393  | 2 078  | 2 531  |
| South Korea                     | 1 149  | 1 002  | 842    | 54                            | 66    | 64    | 1 203  | 1 068  | 906    |
| Other Asia                      | 2 165  | 1 802  | 1 687  | 223                           | 196   | 170   | 2 388  | 1 998  | 1 857  |
| North America                   | 1 452  | 1 575  | 2 363  | 937                           | 769   | 240   | 2 389  | 2 344  | 2 603  |
| Southern Africa                 | 918    | 890    | 1 099  | 26                            | 46    | 60    | 944    | 936    | 1 159  |
| Rest of World                   | 750    | 851    | 1 127  | 82                            | 81    | 109   | 832    | 932    | 1 236  |
| Total Continuing Operations     | 15 608 | 13 562 | 14 771 | 1 898                         | 1 666 | 1 094 | 17 506 | 15 228 | 15 865 |
| Discontinued Operations         |        |        |        |                               |       |       |        |        |        |

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|                                 |        |        |        |       |       |       |        |        |        |
|---------------------------------|--------|--------|--------|-------|-------|-------|--------|--------|--------|
| Australia                       | -      | 1 339  | 1 657  | -     | -     | -     | -      | 1 339  | 1 657  |
| Europe                          | -      | 112    | 163    | -     | -     | -     | -      | 112    | 163    |
| Japan                           | -      | 17     | 34     | -     | -     | -     | -      | 17     | 34     |
| South Korea                     | -      | 42     | 70     | -     | -     | -     | -      | 42     | 70     |
| Other Asia                      | -      | 328    | 460    | -     | -     | -     | -      | 328    | 460    |
| North America                   | -      | 185    | 258    | -     | 206   | 196   | -      | 391    | 454    |
| Rest of World                   | -      | 321    | 376    | -     | -     | -     | -      | 321    | 376    |
| Discontinued Operations (a)     | -      | 2 344  | 3 018  | -     | 206   | 196   | -      | 2 550  | 3 214  |
| Total by geographical market    | 15 608 | 15 906 | 17 789 | 1 898 | 1 872 | 1 290 | 17 506 | 17 778 | 19 079 |
| Analysis by geographical origin |        |        |        |       |       |       |        |        |        |
| Turnover                        |        |        |        |       |       |       |        |        |        |
| Continuing Operations           |        |        |        |       |       |       |        |        |        |
| Australia                       | 6 527  | 5 792  | 5 676  | -     | 50    | 178   | 6 527  | 5 842  | 5 854  |
| Europe                          | 2 792  | 2 049  | 1 907  | -     | -     | -     | 2 792  | 2 049  | 1 907  |
| North America                   | 1 341  | 1 475  | 1 804  | 845   | 668   | 105   | 2 186  | 2 143  | 1 909  |
| South America (b)               | 1 970  | 1 648  | 1 980  | 763   | 607   | 370   | 2 733  | 2 255  | 2 350  |
| Southern Africa                 | 2 857  | 2 355  | 2 666  | 290   | 341   | 441   | 3 147  | 2 696  | 3 107  |
| Rest of World                   | 121    | 243    | 738    | -     | -     | -     | 121    | 243    | 738    |
| Total Continuing Operations     | 15 608 | 13 562 | 14 771 | 1 898 | 1 666 | 1 094 | 17 506 | 15 228 | 15 865 |

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|                               |        |        |        |       |       |       |        |        |        |
|-------------------------------|--------|--------|--------|-------|-------|-------|--------|--------|--------|
| Discontinued Operations       |        |        |        |       |       |       |        |        |        |
| Australia                     | -      | 1 887  | 2 400  | -     | -     | -     | -      | 1 887  | 2 400  |
| Europe                        | -      | 31     | 80     | -     | -     | -     | -      | 31     | 80     |
| North America                 | -      | 2      | 21     | -     | 206   | 196   | -      | 208    | 217    |
| Rest of World                 | -      | 424    | 517    | -     | -     | -     | -      | 424    | 517    |
| Discontinued Operations (a)   | -      | 2 344  | 3 018  | -     | 206   | 196   | -      | 2 550  | 3 214  |
| Total by geographical origin  | 15 608 | 15 906 | 17 789 | 1 898 | 1 872 | 1 290 | 17 506 | 17 778 | 19 079 |
| Profit/(loss) before taxation |        |        |        |       |       |       |        |        |        |
| Continuing Operations         |        |        |        |       |       |       |        |        |        |
| Australia                     | 1 890  | 1 522  | 1 753  | -     | 27    | (297) | 1 890  | 1 549  | 1 456  |
| Europe                        | 253    | 233    | 191    | 6     | -     | -     | 259    | 233    | 191    |
| North America                 | 180    | 16     | 124    | 8     | 6     | 3     | 188    | 22     | 127    |
| South America (b)             | 396    | 158    | 543    | 180   | 143   | (99)  | 576    | 301    | 444    |
| Southern Africa               | 394    | 559    | 460    | 164   | 153   | 38    | 558    | 712    | 498    |
| Rest of World                 | 10     | 73     | (395)  | -     | -     | -     | 10     | 73     | (395)  |
| Total Continuing Operations   | 3 123  | 2 561  | 2 676  | 358   | 329   | (355) | 3 481  | 2 890  | 2 321  |
| Discontinued Operations       |        |        |        |       |       |       |        |        |        |
| Australia                     | (19)   | 25     | 163    | -     | -     | -     | (19)   | 25     | 163    |

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|  |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Europe                                 | -     | 3     | 3     | -     | -     | -     | -     | 3     | 3     |
| North America                          | -     | 10    | (12)  | -     | 11    | 2     | -     | 21    | (10)  |
| Rest of World                          | -     | 37    | 62    | -     | -     | -     | -     | 37    | 62    |
| Discontinued Operations (a)            | (19)  | 75    | 216   | -     | 11    | 2     | (19)  | 86    | 218   |
| Net interest                           | (444) | (212) | (413) | (93)  | (37)  | (63)  | (537) | (249) | (476) |
| Total by geographical origin           | 2 660 | 2 424 | 2 479 | 265   | 303   | (416) | 2 925 | 2 727 | 2 063 |
| Net operating assets<br>(refer note 6) |       |       |       |       |       |       |       |       |       |
| Continuing Operations                  |       |       |       |       |       |       |       |       |       |
| Australia                              | 6 828 | 6 578 | 6 654 | (3)   | 3     | -     | 6 825 | 6 581 | 6 654 |
| Europe                                 | 654   | 621   | 731   | 2     | -     | -     | 656   | 621   | 731   |
| North America                          | 1 340 | 1 122 | 1 245 | 429   | 520   | 158   | 1 769 | 1 642 | 1 403 |
| South America (b)                      | 4 503 | 4 909 | 4 482 | 1 661 | 1 896 | 1 685 | 6 164 | 6 805 | 6 167 |
| Southern Africa                        | 4 117 | 3 804 | 3 844 | 318   | 325   | 467   | 4 435 | 4 129 | 4 311 |

5 Analysis by geographical segment

continued

|               | Group |       |       | Joint ventures and associates |       |       | Total |       |       |
|---------------|-------|-------|-------|-------------------------------|-------|-------|-------|-------|-------|
|               | 2003  | 2002  | 2001  | 2003                          | 2002  | 2001  | 2003  | 2002  | 2001  |
|               | US\$M | US\$M | US\$M | US\$M                         | US\$M | US\$M | US\$M | US\$M | US\$M |
| Rest of World | 729   | 368   | 332   | -                             | -     | -     | 729   | 368   | 332   |

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|                              |        |        |        |       |       |       |        |        |        |
|------------------------------|--------|--------|--------|-------|-------|-------|--------|--------|--------|
| Total Continuing Operations  | 18 171 | 17 402 | 17 288 | 2 407 | 2 744 | 2 310 | 20 578 | 20 146 | 19 598 |
| Discontinued Operations      |        |        |        |       |       |       |        |        |        |
| Australia                    | -      | 1 572  | 1 346  | -     | -     | -     | -      | 1 572  | 1 346  |
| Europe                       | -      | 2      | 3      | -     | -     | -     | -      | 2      | 3      |
| North America                | -      | -      | 51     | -     | 172   | 245   | -      | 172    | 296    |
| Southern Africa              | -      | 5      | -      | -     | -     | -     | -      | 5      | -      |
| Rest of World                | -      | 497    | 469    | -     | -     | -     | -      | 497    | 469    |
| Discontinued Operations (a)  | -      | 2 076  | 1 869  | -     | 172   | 245   | -      | 2 248  | 2 114  |
| Total by geographical origin | 18 171 | 19 478 | 19 157 | 2 407 | 2 916 | 2 555 | 20 578 | 22 394 | 21 712 |

(a) Refer note 3.

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

## 6 Reconciliation of net operating assets

|  | Group  |        | Joint ventures and associates |       | Total  |        |
|--|--------|--------|-------------------------------|-------|--------|--------|
|  | 2003   | 2002   | 2003                          | 2002  | 2003   | 2002   |
|  | US\$M  | US\$M  | US\$M                         | US\$M | US\$M  | US\$M  |
| Net operating assets (refer notes 4 and 5) | 18 171 | 19 478 | 2 407                         | 2 916 | 20 578 | 22 394 |
|  | 1 552  | 1 499  | 113                           | 136   | 1 665  | 1 635  |

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|                                      |         |         |       |       |         |         |
|--------------------------------------|---------|---------|-------|-------|---------|---------|
| Cash including money market deposits |         |         |       |       |         |         |
| Debt                                 | (7 324) | (8 321) | (702) | (909) | (8 026) | (9 230) |
| Corporation tax                      | (343)   | (526)   | (5)   | (29)  | (348)   | (555)   |
| Dividends payable                    | (468)   | (402)   | -     | -     | (468)   | (402)   |
| Deferred tax                         | (966)   | (1 107) | (117) | (73)  | (1 083) | (1 180) |
| Tax recoverable                      | 13      | 20      | -     | -     | 13      | 20      |
| Shareholder loans                    | 293     | 488     | (293) | (488) | -       | -       |
| Net assets                           | 10 928  | 11 129  | 1 403 | 1 553 | 12 331  | 12 682  |

7 Net operating costs

|   | 2003  | 2002  | 2001  |
|---|-------|-------|-------|
|   | US\$M | US\$M | US\$M |
| Change in stocks of finished goods and work in progress | (158) | (99)  | (37)  |
| Raw materials and consumables                           | 2 450 | 3 240 | 2 521 |
| External services (including transportation)            | 2 539 | 2 950 | 2 381 |
| Staff costs (refer note 9)                              | 1 746 | 2 049 | 2 124 |
| Amortisation of goodwill and negative goodwill          | 2     | 3     | 6     |
| Depreciation of tangible fixed assets                   | 1 646 | 1 724 | 1 666 |
| Impairment charge                                       | 73    | 119   | 34    |
| Other operating income                                  | (147) | (163) | (206) |
| Resource rent taxes                                     | 467   | 405   | 641   |
| Operating lease charges                                 | 127   | 228   | 303   |
| Government royalties paid and payable                   | 352   | 294   | 235   |

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|  |        |        |        |
|--|--------|--------|--------|
| HBI Venezuela guarantee  | -      | -      | 330    |
| Other operating charges  | 3 457  | 2 553  | 4 613  |
| Group (a)  | 12 554 | 13 303 | 14 611 |
| Joint ventures and associates  | 1 540  | 1 532  | 1 643  |
| Operating costs including joint ventures and associates (b)            | 14 094 | 14 835 | 16 254 |
| Other operating lease charges include the following:                   |        |        |        |
| Operating lease charges:   |        |        |        |
| Land and buildings   | 47     | 24     | 49     |
| Plant and equipment  | 75     | 79     | 158    |
| Other lease charges  | 5      | 125    | 96     |
|  | 127    | 228    | 303    |
| Audit fees payable by the BHP Billiton Group to:                       |        |        |        |
| Joint auditors of BHP Billiton Plc (including overseas firms)          |        |        |        |
| KPMG   | 3.4    | 3.2    | 2.1    |
| PricewaterhouseCoopers   | 4.1    | 2.9    | 2.9    |
| Other audit firms  | 1.0    | 3.8    | 3.3    |
|  | 8.5    | 9.9    | 8.3    |
| Fees payable by the BHP Billiton Group to auditors for other services: |        |        |        |
| Joint auditors of BHP Billiton Plc (including overseas firms) (c)      |        |        |        |
| Audit-related services (d)   |        |        |        |
| KPMG   | 0.6    | 1.0    | 4.4    |



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|   |      |      |      |
|---|------|------|------|
| PricewaterhouseCoopers                            | 1.6  | 1.0  | 4.9  |
| Information systems design and implementation (e) |      |      |      |
| KPMG  | 0.7  | 5.7  | 1.1  |
| Taxation services (f)                             |      |      |      |
| KPMG  | 2.0  | 1.6  | 1.4  |
| PricewaterhouseCoopers                            | 1.3  | 1.4  | 2.2  |
| Other services (g)                                |      |      |      |
| KPMG  | 0.6  | 2.6  | 3.2  |
| PricewaterhouseCoopers                            | 0.1  | 1.8  | 4.3  |
|   | 6.9  | 15.1 | 21.5 |
| Other audit firms                                 |      |      |      |
| Other services                                    | 1.4  | 4.4  | 6.0  |
|   | 16.8 | 29.4 | 35.8 |

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

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

|  |   |       |       |
|--|---|-------|-------|
|  | - | 2 285 | 2 807 |
|--|---|-------|-------|

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

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

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

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

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

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

#### 8 Net interest and similar items payable/(receivable)

|  | 2003  | 2002  | 2001  |
|--|-------|-------|-------|
|  | US\$M | US\$M | US\$M |
| On bank loans and overdrafts                       | 131   | 161   | 236   |
| On all other loans                                 | 241   | 311   | 339   |
| Finance lease and hire purchase interest           | 4     | 5     | 9     |
|  | 376   | 477   | 584   |
| Dividends on redeemable preference shares          | 24    | 39    | 83    |
| Discounting on provisions (refer note 21)          | 97    | 42    | 39    |
| less Amounts capitalised (a)                       | (103) | (58)  | (39)  |
|  | 394   | 500   | 667   |
| Share of interest of joint ventures and associates | 68    | 71    | 94    |
|  | 462   | 571   | 761   |

|  |      |       |       |
|--|------|-------|-------|
| Interest received/receivable               | (65) | (142) | (136) |
|  | 397  | 429   | 625   |
| Exchange differences on net debt (b)       |      |       |       |
| Group                                      | 115  | (146) | (118) |
| Joint ventures and associates              | 25   | (34)  | (31)  |
|  | 140  | (180) | (149) |
| Net interest and similar items payable (c) | 537  | 249   | 476   |

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

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

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

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

#### 9 Employees

|  | 2003   | 2002   | 2001   |
|--|--------|--------|--------|
|  | Number | Number | Number |
|  |        |        |        |

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|   |        |        |        |
|---|--------|--------|--------|
| The average number of employees, which excludes joint ventures' and associates' employees and includes executive Directors, during the financial year was as follows: |        |        |        |
| Petroleum   | 1 872  | 1 770  | 1 744  |
| Aluminium   | 5 362  | 5 246  | 5 045  |
| Base Metals   | 3 319  | 3 646  | 3 456  |
| Carbon Steel Materials  | 6 381  | 6 380  | 6 232  |
| Diamonds and Specialty Products   | 1 208  | 1 754  | 2 685  |
| Energy Coal   | 9 668  | 10 373 | 12 952 |
| Stainless Steel Materials   | 5 282  | 5 572  | 5 861  |
| Discontinued Operations (refer note 3)  | -      | 12 269 | 16 627 |
| Group and unallocated items   | 1 709  | 3 214  | 4 351  |
|   | 34 801 | 50 224 | 58 953 |
|   | 2003   | 2002   | 2001   |
|   | US\$M  | US\$M  | US\$M  |
| The aggregate payroll expenses of those employees was as follows:   |        |        |        |
| Wages, salaries and redundancies  | 1 511  | 1 843  | 1 903  |
| Employee share awards   | 60     | 28     | 46     |
| Social security costs   | 20     | 28     | 34     |
| Pensions and other post-retirement medical benefit costs (refer note 27)  | 155    | 150    | 141    |
|   | 1 746  | 2 049  | 2 124  |

## 10 Taxation

|   | 2003  | 2002  | 2001  |
|---|-------|-------|-------|
|   | US\$M | US\$M | US\$M |
| Analysis of charge in the financial year      |       |       |       |
| UK taxation                                   |       |       |       |
| Corporation tax at 30% (a)                    |       |       |       |
| Current (b)                                   | 292   | 165   | 223   |
| Deferred                                      | (124) | 16    | (17)  |
| less Double taxation relief                   | (132) | (92)  | (127) |
|   | 36    | 89    | 79    |
| Australian taxation                           |       |       |       |
| Corporation tax at 30% (2002: 30%; 2001: 34%) |       |       |       |
| Current                                       | 330   | 235   | 299   |
| Deferred                                      | 150   | 225   | 66    |
|   | 480   | 460   | 365   |
| South African taxation                        |       |       |       |
| Corporation tax at 30%                        |       |       |       |
| Current                                       | 127   | 239   | 124   |
| Deferred                                      | 74    | (120) | (40)  |
|   | 201   | 119   | 84    |
| Other overseas taxation                       |       |       |       |
| Current                                       | 192   | 99    | 227   |
| Deferred                                      | (30)  | 108   | (28)  |

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|  |     |      |      |
|--|-----|------|------|
|  | 162 | 207  | 199  |
| Share of joint ventures' tax charge              |     |      |      |
| Current  | 56  | 93   | 80   |
| Deferred   | 45  | (11) | (31) |
|  | 101 | 82   | 49   |
| Share of associates' current tax charge          | -   | (4)  | 3    |
| Withholding tax and secondary taxes on companies | 4   | 37   | 32   |
|  | 984 | 990  | 811  |
| Made up of:                                      |     |      |      |
| Aggregate current tax                            |     |      |      |
| Group  | 813 | 683  | 778  |
| Joint ventures and associates                    | 56  | 89   | 83   |
|  | 869 | 772  | 861  |
| Aggregate deferred tax                           |     |      |      |
| Group  | 70  | 229  | (19) |
| Joint ventures and associates                    | 45  | (11) | (31) |
|  | 115 | 218  | (50) |
|  | 984 | 990  | 811  |

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

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

continued

|  | 2003  | 2002  | 2001  |
|--|-------|-------|-------|
|  | US\$M | US\$M | US\$M |
| Factors affecting tax charge for the financial year                                      |       |       |       |
| The tax assessed is different than the standard rate of corporation tax in the UK (30%). |       |       |       |
| The differences are explained below:   |       |       |       |
| Profit on ordinary activities before tax   | 2 925 | 2 727 | 2 063 |
| Tax on profit at UK rate of 30%  | 878   | 818   | 619   |
| Permanent differences  |       |       |       |
| Investment and development allowance   | (9)   | (10)  | (19)  |
| Amounts over provided in prior years   | (105) | (23)  | 5     |
| Recognition of prior year tax losses   | (188) | (103) | (133) |
| Non-deductible accounting depreciation and amortisation                                  | 76    | 54    | 32    |
| Non-deductible dividends on redeemable preference shares                                 | 8     | 13    | 24    |
| Non tax-effected operating losses  | 109   | 69    | 47    |
| Tax rate differential on non-UK income   | (18)  | (1)   | 57    |
| Non tax-effected capital gains   | (2)   | (12)  | (63)  |
| Foreign expenditure including exploration not presently deductible                       | 4     | 16    | 57    |
| South African secondary tax on companies   | 16    | 48    | 46    |
| Foreign exchange gains and other translation adjustments                                 | 210   | (2)   | (113) |
| Non-deductible merger transaction costs  | -     | -     | 28    |
| Tax rate changes   | (1)   | 59    | (22)  |

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|   |       |       |       |
|---|-------|-------|-------|
| Investment and asset impairments  | -     | 32    | 176   |
| Other   | 6     | 32    | 70    |
| Total permanent differences   | 106   | 172   | 192   |
| Deferred tax movements taken to the profit and loss account             |       |       |       |
| Capital allowances for the financial year (more)/less than depreciation | (299) | (176) | 79    |
| Exploration expenditure   | 53    | (114) | 28    |
| Employee entitlements   | 58    | (29)  | (72)  |
| Site rehabilitation   | 71    | 4     | (32)  |
| Resource rent tax   | (21)  | 17    | 19    |
| Deferred income   | 27    | -     | (16)  |
| Other provisions  | (12)  | (77)  | (10)  |
| Foreign exchange losses/(gains)   | 193   | (5)   | 24    |
| Foreign tax   | (92)  | (39)  | 41    |
| Tax losses  | 39    | 48    | (228) |
| Other   | (132) | 153   | 217   |
| Total timing differences  | (115) | (218) | 50    |
| Current tax charge for the financial year                               | 869   | 772   | 861   |
| Add/(less) deferred tax movements taken to the profit and loss account  | 115   | 218   | (50)  |
| Tax on profit on ordinary activities                                    | 984   | 990   | 811   |

|  |      |      |
|--|------|------|
|  | 2003 | 2002 |
|--|------|------|



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|   | US\$M | US\$M |
|---|-------|-------|
| Provision for deferred tax                        |       |       |
| Future income tax benefit at year end comprises:  |       |       |
| Timing differences                                |       |       |
| Accelerated capital allowances                    | (273) | (14)  |
| Exploration expenditure                           | 122   | 48    |
| Employee entitlements                             | 56    | 19    |
| Site rehabilitation                               | 86    | 48    |
| Resource rent tax                                 | 95    | 90    |
| Deferred income                                   | 125   | -     |
| Other provisions                                  | (6)   | 2     |
| Foreign exchange losses                           | 41    | 59    |
| Profit in stocks elimination                      | 2     | 8     |
| Other   | (32)  | 87    |
| Tax-effected losses                               | 231   | 133   |
| Total future income tax benefit                   | 447   | 480   |
| Provision for deferred tax at year end comprises: |       |       |
| Accelerated capital allowances                    | 1 280 | 1 641 |
| Exploration expenditure                           | 44    | 23    |
| Employee entitlements                             | (21)  | (36)  |
| Site rehabilitation                               | (82)  | (49)  |
| Resource rent tax                                 | (4)   | (31)  |
| Deferred income                                   | -     | (98)  |

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|   |         |         |
|---|---------|---------|
| Other provisions  | 15      | -       |
| Foreign exchange losses/(gains)                                       | (230)   | (17)    |
| Deferred charges  | 45      | 42      |
| Foreign tax   | 219     | 128     |
| Other   | 150     | 32      |
| Tax-effected losses   | (3)     | (48)    |
| Total provision for deferred tax                                      | 1 413   | 1 587   |
| Net provision for deferred tax  | 966     | 1 107   |
| Provision at start of the financial year                              | 1 107   | 881     |
| Demerger or disposals of subsidiaries                                 | (213)   | (21)    |
| Deferred tax charge in profit and loss account for the financial year | 70      | 229     |
| Exchange differences and other movements                              | 2       | 18      |
| Net provision at end of the financial year                            | 966     | 1 107   |
| This provision is included within                                     |         |         |
| Debtors (refer note 17)   | 447     | 480     |
| Provisions for liabilities and charges (refer note 21)                | (1 413) | (1 587) |
|   | (966)   | (1 107) |

Factors that may affect future tax charges

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

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

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

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

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

#### Australian tax consolidation

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

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

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

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

#### Tax losses

At 30 June 2003, the BHP Billiton Group has ordinary tax losses and capital losses of approximately US\$2 439 million (2002: US\$2 337 million), which have not been tax-effected. The BHP Billiton Group anticipates benefits from the recognition of losses in future periods to the extent of income or gains in relevant jurisdictions. These tax losses carried forward expire as summarised below:

|  | Australian | UK | Other foreign | Total |
|--|------------|----|---------------|-------|
|  |            |    |               |       |

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

## 11 Dividends

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

Dividends payable in the consolidated profit and loss account are stated net of amounts which are not payable outside the BHP Billiton Group under the terms of the share repurchase scheme (refer note 25) and the Billiton Employee Share Ownership Trust (refer note 15).

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

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

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

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

(e) M.5 per cent dividend on 50 000 preference shares of Pounds 1 each (2002: 5.5 per cent; 2001: 5.5 per cent).

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

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

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

12 Earnings per share

|  | 2003  | 2002  | 2001   |
|--|-------|-------|--------|
| Basic earnings per share (US cents)        |       |       |        |
| Excluding exceptional items                | 30.9  | 32.1  | 36.8   |
| Impact of exceptional items                | (0.3) | (4.1) | (11.1) |
| Including exceptional items                | 30.6  | 28.0  | 25.7   |
| Diluted earnings per share (US cents)      |       |       |        |
| Excluding exceptional items                | 30.9  | 32.1  | 36.6   |
| Impact of exceptional items                | (0.3) | (4.1) | (11.0) |
| Including exceptional items                | 30.6  | 28.0  | 25.6   |
| Basic earnings per ADS (US cents)<br>(a)   |       |       |        |
| Including exceptional items                | 61.2  | 56.0  | 51.4   |
| Diluted earnings per ADS (US cents)<br>(a) |       |       |        |
| Including exceptional items                | 61.2  | 56.0  | 51.2   |
| Earnings (US\$million)                     |       |       |        |

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|  |       |       |       |
|--|-------|-------|-------|
| Excluding exceptional items                  | 1 920 | 1 934 | 2 189 |
| Including exceptional items                  | 1 901 | 1 690 | 1 529 |
| Weighted average number of shares (millions) |       |       |       |
| Basic earnings per share denominator         | 6 207 | 6 029 | 5 944 |
| Diluted earnings per share denominator       | 6 222 | 6 042 | 5 973 |

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

The loss on sale of the 6 per cent interest in BHP Steel Limited decreased basic earnings per share by 0.3 US cents for the year ended 30 June 2003. In 2002, the exceptional items (which are individually disclosed in note 2) decreased basic earnings per share by 4.1 US cents. In 2001, the exceptional items that had the greatest impact on basic earnings per share comprise the impairment of HBI Venezuela (decrease of 6.9 US cents) and the exit from Ok Tedi (decrease of 2.6 US cents). The remaining exceptional items in 2001 decreased basic earnings per share by 1.6 US cents per share (including a decrease of 0.2 US cents per share attributable to Discontinued Operations).

The Directors present earnings per share data based on earnings excluding exceptional items as this provides a more meaningful representation of the underlying operating performance of the BHP Billiton Group.

Under the terms of the DLC merger, the rights to dividends of a holder of an ordinary share in BHP Billiton Plc and a holder of an ordinary share in BHP Billiton Limited are identical. Consequently, earnings per share has been calculated on the basis of the aggregate number of ordinary shares ranking for dividend. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the relevant shares held by the share repurchase scheme and the Group's Employee Share Ownership Trusts and adjusting for the BHP Billiton Limited bonus issue effective 29 June 2001.

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

|  | 2003    | 2002    | 2001    |
|--|---------|---------|---------|
| Number of shares   | Million | Million | Million |
| Basic earnings per share denominator                           | 6 207   | 6 029   | 5 944   |
| BHP Billiton Limited options and performance rights and shares | 13      | 11      | 12      |
| BHP Billiton Limited partly paid shares                        | 1       | 2       | 3       |
| BHP Billiton Plc performance shares                            | 1       | -       | -       |

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|   |       |       |       |
|---|-------|-------|-------|
| BHP Billiton Plc executive share awards | -     | -     | 14    |
| Diluted earnings per share denominator  | 6 222 | 6 042 | 5 973 |

13 Intangible assets

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

End of part 1 of 3

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SIGNATURES

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



BHP BILLITON

Plc  
/s/ KAREN WOOD

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Karen Wood  
Title: Company Secretary  
Date:

30 September 2003