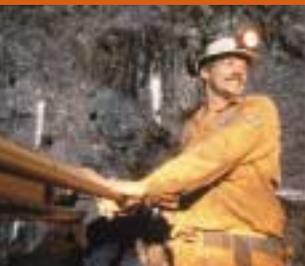


# OUR RESOURCES AT WORK

**BHP BILLITON PLC**  
**ANNUAL REPORT 2003**



**bhpbilliton**

# Your Company at work

Around the globe, every day, the commodities we supply are used to make products that enhance people's daily lives, from power sources to computer parts to precision-made surgical instruments. In carrying out our key role in the production process, we aspire to be not only the premier supplier of natural resources and related products, but one of the world's best companies – creating value and delivering superior, sustainable returns for our shareholders.

Our Dual Listed Companies merger in June 2001 established BHP Billiton as the world's largest diversified resources group. Based on this solid foundation, the Strategic Framework we announced in April 2002 set out the imperatives and direction for us to realise our full potential. We have continued that strategic direction and applied our energy and expertise to build on our strengths in order to ensure the long-term growth of the Company.

The characteristics that differentiate BHP Billiton from other resources companies are our:

- world-class assets
- diverse commodity mix
- global footprint
- stable cash flows
- strong management team
- unique marketing model
- deep inventory of projects
- significant growth opportunities.

Underpinning our earnings capability is our dedication to identifying the needs of each of our customers and responding with innovative solutions, including cross-commodity offerings that give us a distinctive competitive edge. Together, all these attributes have delivered significant progress over the past year. This Annual Report presents our 2003 results, operating reviews of our Customer Sector Groups and our key objectives for the year ahead.

## About this Report

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BHP Billiton is a Dual Listed Company comprising BHP Billiton Limited and BHP Billiton Plc. The two entities continue to exist as separate companies but operate as a combined group known as BHP Billiton.

The headquarters of BHP Billiton Limited and the global headquarters of the combined BHP Billiton Group are located in Melbourne, Australia. BHP Billiton Plc is located in London, UK. Both companies have identical Boards of Directors and are run by a unified management team. Throughout this Report the Boards are referred to collectively as the Board. Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole.

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

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

Copies of the Annual Reports for BHP Billiton Plc and BHP Billiton Limited (Concise Report and Combined Financial Statements) can be found on [www.bhpbilliton.com](http://www.bhpbilliton.com). Shareholders may also request a copy by telephoning (44 20) 7802 4194.

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered Office: 180 Lonsdale Street, Melbourne Victoria 3000 Australia.  
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## Chairman's Review



► Don Argus, Chairman

*'BHP Billiton's unique set of assets, value-focused strategies, strong balance sheet and dedicated workforce leave it well placed to prosper over the coming year.'*

At the time of the merger, BHP Billiton articulated its vision to earn superior returns for shareholders as the world's premier supplier of natural resources and related products and services.

Put simply, the Board and management recognised the changes occurring in our industry and the global economy and saw an opportunity to create an entity that would provide long-term growth from a stable base and a global footprint.

Over the past year, we have made significant progress in creating value and building the fundamental platform that allows us to produce a stable, healthy cash flow throughout the economic cycle. This year's progress, whereby BHP Billiton generated solid earnings and recorded significant operating achievements, sits against a background of a struggling world economy, some low commodity prices, a war in the Middle East and the impact of stronger operating currencies.

### Results and growth

Despite the challenging environment, our earnings before interest, tax, depreciation and amortisation were US\$5.1 billion; our available cash flow (after interest and tax) reached US\$3.6 billion and we increased the dividend to 14.5 US cents a share, an increase of 11.5 per cent over last year.

The strength of our earnings this year and, indeed, since the merger, demonstrate our fundamental investment proposition of stability and growth. This proposition is based on world-class assets, a strong management team and significant growth opportunities in an entity with scale and diversification.

From our high-quality operating base, we continued to deliver the promised efficiency gains and the Company remains in a strong position to continue to develop its suite of assets.

Growth has been delivered in a number of forms. Five new projects have been delivered since July 2002, on or ahead of budget and schedule. A further 14 projects are currently in development, representing more than US\$4.6 billion of future investment.

Future growth will be generated from our exploration activities, in which we invested a further US\$348 million during the year.

Growth in earnings has been created through efficiency gains, which improve our margins throughout the cycle and therefore our competitiveness. The marketing of our products has been totally restructured, again with the goal of improving our margins and competitiveness, to become more valuable to our customers.

### Determining value

Ultimately, it is the ability to manage our assets well and execute profitable growth opportunities that creates value in the Company and will provide superior, sustainable returns for shareholders. So let us look at the value that has been delivered to shareholders in recent years.

Today, BHP Billiton has a market capitalisation of approximately US\$42 billion, compared to a market capitalisation of US\$28 billion at the time of the merger and US\$35 billion at year end.

The value of our Company is determined by the future cash flows generated from existing operations and internal and external growth initiatives. While for any individual business these cash flows may be quite volatile as a result of changes in prices, exchange rates, markets and the level of demand for our commodities, our diverse portfolio of assets reduces this volatility to provide greater stability of overall cash flow.

The share market value of the Company may differ from the theoretical value of the Company due to a variety of factors. One of the reasons for this is the increasingly complex accounting conventions and standards, including the effect on the balance sheet of currency translations.

While the weakening of the US dollar has a real cash impact on the Company, a great deal of the impact is non-cash and due to a requirement to revalue non-US dollar denominated monetary items on the balance sheet and take any change in value through our income statement. This can increase the volatility of our earnings and it is why we encourage investors to focus on cash flow in addition to earnings.

In the last few years, share markets and share prices have become increasingly volatile. So while the inherent value of businesses, and earnings generated, may have remained relatively stable, the value attributed by markets to a business, such as BHP Billiton, has fluctuated widely.

Financial markets will continue to be volatile for the foreseeable future. While BHP Billiton is not immune from these influences, if we continue to deliver growth with returns above the cost of capital and increase our cash flow, we will continue to attract a wide investor following and achieve our objective of being a core holding for global institutional investors, as well as our individual investors.

Over the last few years we have made good progress with our key value drivers.

Since the merger in June 2001, our focus on creating value has resulted in BHP Billiton Limited outperforming the ASX 200 by 2.3 per cent and the S&P 500 by 9.4 per cent and BHP Billiton Plc outperforming the FTSE 100 by 24.4 per cent and the S&P 500 by 16.25 per cent. A shareholder who invested US\$1000 in BHP Limited in November 1998 would now have a holding worth US\$2207. Had US\$1000 been invested in Billiton Plc at the same time, that amount would now be worth US\$2990.

While we will continue to invest in the growth of the business, we also aim to increase dividends through our progressive dividend policy.

We are well on the way to achieving our vision. While there will always be more work to do, we have and are delivering against the promises made at the time of the merger. We continue to aspire to be not just the resources investment of choice but also an investment of choice regardless of industry sector. We aspire to be one of the world's best companies.

#### **The Board and management**

During the year Chip Goodyear succeeded Brian Gilbertson as CEO of the Group. Chip has settled into the position extremely well and, with an outstanding executive team and first class organisation, is continuing the strategic direction outlined to the market in April 2002.

Mr Cornelius Herkströter will retire from the Board at the conclusion of the annual general meeting in November 2003. Mr Herkströter has made a significant contribution to the Group and I am sure that all shareholders join me in thanking him for his contribution.

In February, Dr John Buchanan joined the Board as a non-executive Director. Dr Buchanan was formerly an executive Director and the Group Chief Financial Officer of BP Plc. Mr Miklos Salamon, Senior Minerals Executive and President of the Aluminium Customer Sector Group also joined the Board as an executive Director.

The Board has been reduced from 17 Directors to nine non-executive and two executive Directors. The Board will continue with its regular review and appraisal process aimed at assessing the appropriate mix of skills, attributes and the performance of individual Directors.

An independent review of the Board was also undertaken during the year. The review focused on areas such as the role of the Board, performance evaluation, procedures and practices, and behaviours and cohesion. Action programs that evolve from this review will be developed to assist the Board to be more effective, both collectively and individually, going forward.

#### **Corporate governance**

The Board recognises that the globalisation of investment flows continues at pace with the availability of capital from international markets increasingly moving to those economies and companies that demonstrate sound corporate governance practices and an overall commitment to sustainability.

The Dual Listed Companies structure under which BHP Billiton operates adds complexity to our governance regime but it also provides us with the opportunity to consider and adopt those practices that we consider to be the better of the prevailing standards, in any of their jurisdictions.

The Board also recognises that we cannot afford to strive for anything less than continued strong performance. There is no room for complacency given the volatile nature of the market and the possibility of a crisis at any time.

I commend my Board colleagues and Chip Goodyear's management team for their continued commitment to superior performance and transparency, which has enabled the Company to turn in a robust performance for the 2003 financial year.

#### **Outlook statement**

The global economy has struggled to generate significant growth momentum following a series of damaging shocks over the past few years. Many developed economies are moving through uncharted waters as they deal with excess capacity, subdued demand and a competitive pricing environment. However, on balance, it appears to have turned the corner and, although the outlook remains fragile, a number of positive developments are supporting an improved outlook for 2004.

First, monetary and fiscal policies are being aligned throughout the major economies, with US and European central banks reducing interest rates while Japan is working hard to provide the necessary reform framework for improving the economic climate.

Second, equity markets have improved over the course of the year. Third, corporate bond spreads have fallen in tandem with government bond yields as markets become increasingly comfortable with risk levels. Finally, the situation in many emerging economies has stabilised and China continues to provide a bulwark for commodity markets.

Although the global economy faces significant headwinds, BHP Billiton's unique set of assets, value-focused strategies, strong balance sheet and dedicated workforce leave it well placed to prosper over the coming year.



Don Argus,  
**Chairman**

## Chief Executive Officer's Report



► Charles Goodyear, Chief Executive Officer

*'Together we will continue to deliver value to shareholders and realise our vision to become one of the world's leading companies.'*

Two years ago your Company completed a merger that created the world's largest diversified resources company. Since then we have been fully engaged in delivering on the action items necessary to maximise the value of the merger.

Fundamental to our activities has been completing the integration of the two companies, firmly embedding the business model and crystallising our strategy. It is fair to say that we have achieved all of the stated merger benefits and are well on our way to executing our vision and strategic plan, which will positively impact the operating and financial performance of BHP Billiton in the years ahead.

### **BHP Billiton Charter**

Central to our organisation is the BHP Billiton Charter. This creates alignment throughout the organisation through a set of clearly defined values applicable to each employee of the Group. Each of these values is important, but the one I would like to highlight is our overriding commitment to health, safety, environmental responsibility and community development (HSEC). This value driver is a major challenge for a company whose core business is the extraction of natural resources. However, we also believe that it is a leading indicator of company performance and we are proud of the progress that we have made in this area. Simply put, good performance in the HSEC areas is good business. In addition to our Annual Report, we have released a HSEC Report and I would encourage you to judge for yourself the progress that we have made in this area.

### **Operating performance**

Difficult economic conditions prevailed throughout fiscal 2003. Despite this, our businesses delivered solid operating and financial results. In addition, our impressive array of growth projects is being delivered on time and on budget, or better.

Petroleum, Carbon Steel Materials and Aluminium were the standout performers for the year. In Petroleum we benefited from a consistently high oil price and volumes overall held up well despite natural field decline in some of our major operations. We also continued our run of exploration successes. In a survey conducted by PFC Energy, our Petroleum division was evaluated to have an upstream return on capital employed of 29 per cent, versus an industry average of 17 per cent.

In Carbon Steel Materials we saw record shipments and a 9 per cent price increase for iron ore on the back of increasing demand from Asia, particularly China. China was also a key driver for a number of other commodities including alumina. By maximising our alumina position and delivering excellent cost performance, our Aluminium business generated outstanding results.

Better financial performances were also seen in our Base Metals, Stainless Steel Materials and Diamonds and Specialty Products businesses due to a number of factors including increased output across all three businesses and higher prices for copper and nickel. The Stainless Steel Materials business made a dramatic improvement from essentially break-even EBIT performance last year and diamond production was up almost 19 per cent. Energy Coal, however, suffered from the combined effects of stronger currencies, high inflation in South Africa and lower global energy coal prices that together had a material impact on this business.

Sitting across our businesses is our Marketing group, which is responsible for coordinating our marketing activities across commodities and regions. This model is different to many of our peers and I am pleased to report solid progress in this area. Operating through the hubs in The Hague and Singapore, our systems and risk management have greatly improved since the merger. At the press of a button, we can now actively manage our customer credit exposures and understand where our products sit in the supply chain. On the customer side, we can now provide better product management solutions to our customers and are starting to see recognition for the 'value-added' products that this approach can provide. We have also seen important cross-selling opportunities which asset-based marketing would not have been able to identify. I believe our marketing approach is a unique characteristic of our Company and will be an important source of competitive advantage in the years ahead.

### **Growth projects and portfolio management**

Another differentiating feature of BHP Billiton is our ability to identify tangible growth opportunities in our businesses. At the time of the merger we announced a substantial capital investment program. Since then, we have completed eight major

projects with a total capital investment of US\$2.1 billion. All of the finished projects were completed on or ahead of budget and schedule. We currently have 14 projects in development representing more than US\$4.6 billion of future investment.

This is a key area of value creation for BHP Billiton shareholders.

During the year, project milestones included commissioning of Phase IV of the massive Escondida copper mine in Chile, on time and US\$57 million below budget; commencing aluminium production from the Mozal expansion project in Mozambique, five months ahead of schedule and approximately US\$92 million under budget; start up of production from the San Juan underground coal mine in New Mexico; and first gas production from the Bream Gas Pipeline in Australia, three months ahead of schedule. In July 2003, we announced the completion of the Zamzama gas project in Pakistan, nearly four months ahead of schedule.

The Board also approved three new major projects: a US\$1.1 billion investment in the Atlantis oil discovery in the Gulf of Mexico; US\$327 million in the Angostura oil and gas discovery in Trinidad; and US\$230 million in the Escondida Norte copper project in Chile.

July 2002 saw the demerger of BHP Steel, severing BHP's direct link of many decades with the steel industry. The year also saw the sale of our indirect interest in Companhia Vale do Rio Doce (CVRD) for a cash consideration of US\$345 million and the sale of our interests in the Agua Rica and Alumbrera copper-gold deposits in Argentina. We will continue to actively manage our portfolio where opportunities present themselves.

#### **Efficiency gains**

The merger continued to deliver financial savings, with US\$285 million in merger benefits achieved by December 2002 and another US\$310 million cost savings achieved by June 2003. The areas of operating excellence and strategic sourcing are providing us with the bulk of these savings and we continue to improve and refine our processes in all aspects of the business. Around 300 specific projects were completed under the Operating Excellence banner during the year and we expect the number of completed projects to grow to almost 1000 in the 2004 year. We are well on track to meet our overall US\$770 million target in efficiency gains by 2005.

#### **Financial strength**

The success of the merger, the benefits of diversification and our disciplined financial policies were recognised by Moody's Investor Services with the upgrade of our long-term credit rating to A2, alongside Standard & Poor's existing rating of A. This strong credit profile contributed to our ability to diversify our funding sources away from bank debt with the issuance of our inaugural €750 million Eurobond and US\$850 million Global Bond in addition to an Australian A\$250 million issue in the prior fiscal year. In February 2003, we also established a US\$2 billion commercial paper program to give us low-cost, short-term funding flexibility. These new facilities have helped lower our average borrowing cost to 5.1 per cent today versus 8.3 per cent in the year prior to the merger.

Despite capital investments and exploration expenditure of US\$3.0 billion during the year, our strong cash flow and other income enabled us to reduce net debt by US\$1.0 billion, to US\$5.8 billion.

The combination of our strong operating performance, cost savings, capital investments, portfolio management and funding

diversification has resulted in an increase in our return on capital from 11.0 per cent in 2002 to 13.4 per cent in the last financial year. We continue to aim to increase the return on capital in the years ahead.

The true indicator of our financial performance is our ability to generate cash throughout the economic cycle. We have demonstrated this admirably in the two years since the merger and cash generation will remain a feature in years ahead. Although cash is strong, our earnings have been adversely impacted by the weak US dollar, in particular against the Australian dollar and South African rand.

#### **Innovation**

The formation of BHP Billiton created a new kind of resources company, one that was prepared to recognise our historic success and build on it by thinking creatively about our challenges and opportunities. This has enabled us to bring forward innovations in areas that may not have been possible if we remained separate organisations. Marketing is one such innovation where we have moved away from the traditional asset-based model to a more holistic approach to our customer interaction.

Minerals exploration has been another key area of innovation. We have an extensive junior partner program whereby we increase our exposure to major discoveries while giving our junior partner an increased share of the value in lesser discoveries. Combining this with leading edge technology such as our proprietary airborne Falcon™ gravity exploration system has made us the partner of choice for much of the industry and has brought us opportunities that would not otherwise have been available.

Innovation allows us to stay ahead of the game and will continue to be important to the Company in the years ahead.

#### **Our people**

This year will see the addition of a seventh BHP Billiton value driver focused on our employees. For the last two years the focus has been on integration and ensuring that we have the correct structure, strategy and people. Our organisation now needs to evolve to ensure that we are able to realise the full potential of our employees, become an employer of choice in the resources industry and are considered by our stakeholders to have one of the world's most outstanding teams.

People are what make any organisation great and the success of a company like BHP Billiton relies heavily on all its employees and contractors. I would like to take this opportunity to thank our dedicated executive team who are working together seamlessly to drive the overall success of the Company. I'd also like to pay tribute to the work Paul Anderson and Brian Gilbertson did in driving the integration of the two companies to create a world-class enterprise and global leader in the resources industry and a base upon which we continue to grow. Finally, I would like to thank each of our 35 000 employees across the globe for their contribution. Together we will continue to deliver value to shareholders and realise our vision to become one of the world's leading companies.



Charles Goodyear,  
**Chief Executive Officer**

# Financial Performance 2003

## BHP Billiton Group

### FROM CONTINUING OPERATIONS AND EXCLUDING EXCEPTIONAL ITEMS

| US\$ million  | 2003   | 2002   | Change (%) |
|---|--------|--------|------------|
| Turnover <sup>(1)(2)</sup>  | 17 506 | 15 228 | 15.0%      |
| EBIT <sup>(1)(2)(3)(4)</sup>                                      | 3 481  | 3 102  | 12.2%      |
| Attributable profit <sup>(1)(2)(3)</sup>                          | 1 920  | 1 866  | 2.9%       |
| Available cash flow <sup>(1)(5)</sup>                             | 3 590  | 3 600  | -0.3%      |
| Net operating assets (at 30 June) <sup>(1)</sup>                  | 20 578 | 20 146 | 2.1%       |
| EBITDA interest coverage (times) <sup>(1)(2)(3)(4)(6)</sup>       | 12.7   | 10.9   | 16.5%      |
| Gearing (at 30 June) <sup>(7)</sup>                               | 31.9%  | 35.0%  | -8.9%      |
| Basic earnings per ordinary share (US cents) <sup>(1)(2)(3)</sup> | 30.9   | 31.0   | -0.3%      |
| Dividends per share (US cents)                                    | 14.5   | 13.0   | 11.5%      |

<sup>(1)</sup> From Continuing Operations, excluding the results of the Group's Steel business, which was demerged in July 2002.

<sup>(2)</sup> Including the Group's share of joint ventures and associates.

<sup>(3)</sup> Excluding exceptional items.

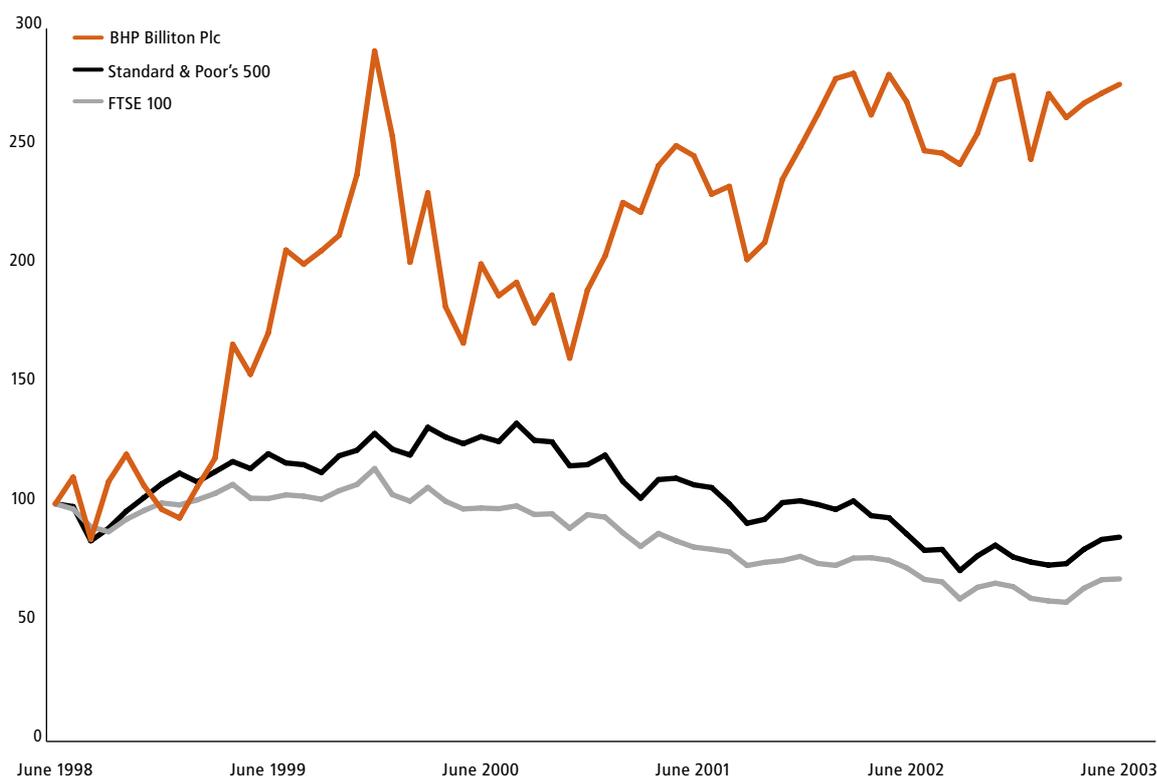
<sup>(4)</sup> EBIT is earnings before interest and tax. EBITDA is EBIT before depreciation and amortisation of Group companies of US\$1 648 million and US\$1 595 million for the years ended 30 June 2003 and 2002 respectively. We believe that EBIT and EBITDA provide useful information, but should not be considered as an indication of, or alternative to, attributable profit as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.

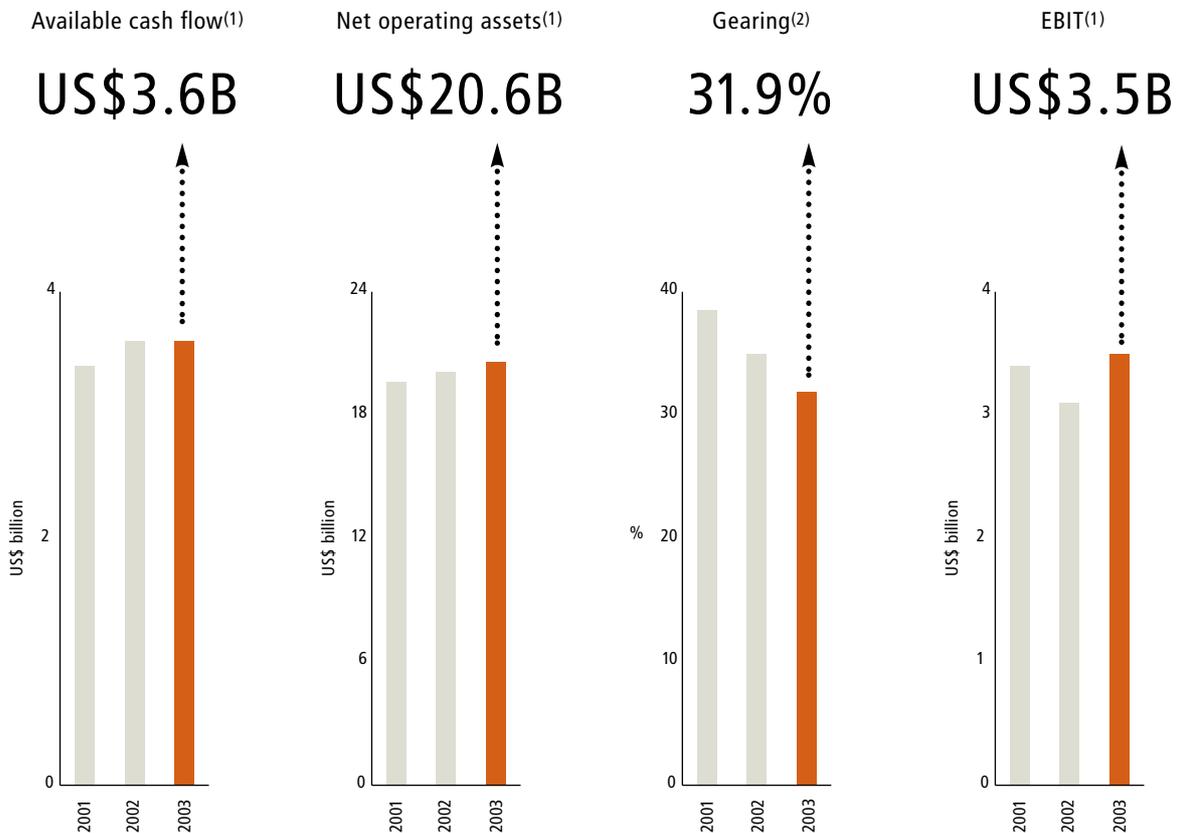
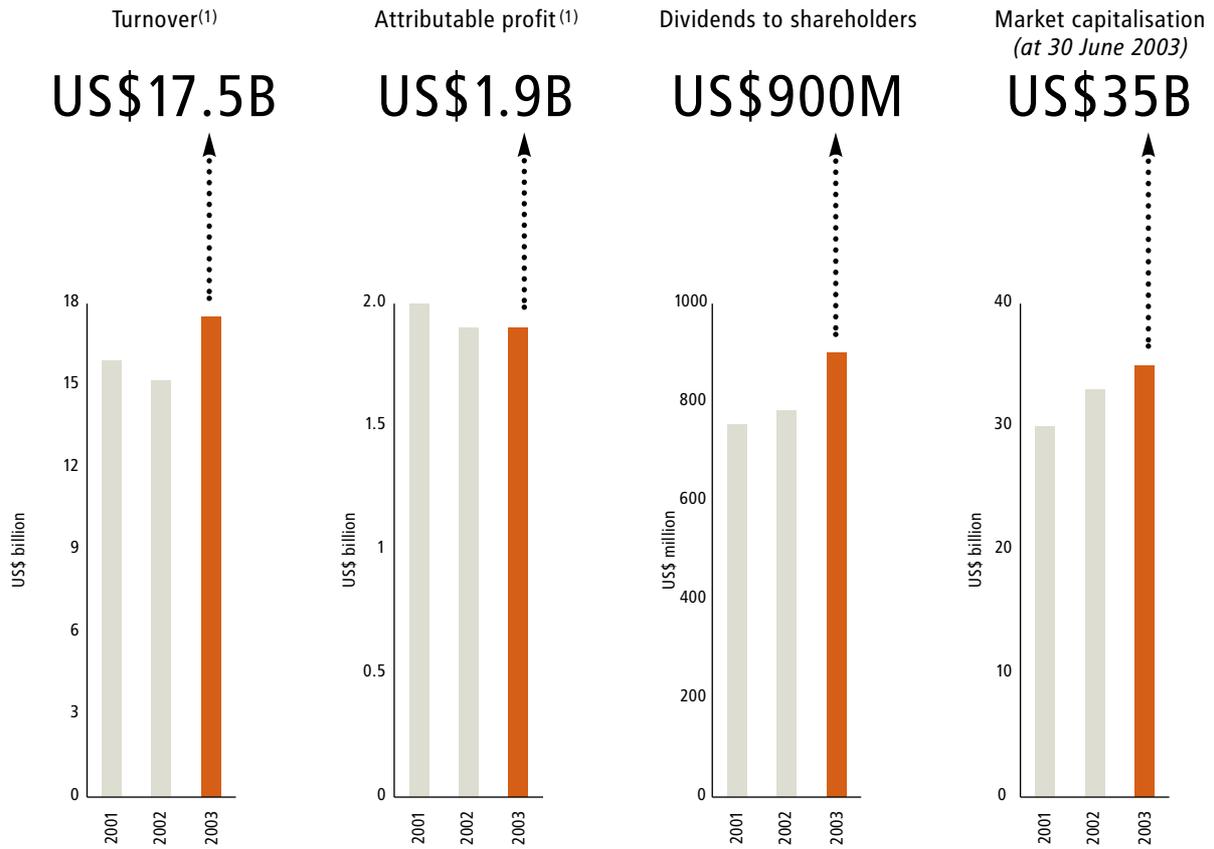
<sup>(5)</sup> Available cash flow is operating cash flow including dividends from joint ventures and associates and after net interest and tax.

<sup>(6)</sup> For this purpose, net interest includes capitalised interest and excludes the effect of discounting on provisions and exchange differences arising from net debt.

<sup>(7)</sup> Gearing as at 30 June 2002 includes the Group's Steel business, which was demerged in July 2002.

### Relative share price performance index – 5yr (US\$)





(1) From Continuing Operations and excluding exceptional items.

(2) Gearing as at 30 June 2001 and 2002 includes the Group's Steel business, which was demerged in July 2002.

# Review of Operations

|                                 | Total BHP Billiton attributable production   | Principal assets • BHP Billiton ownership • 2003 attributable production   |   |   |
|---------------------------------|--|--|---|---|
| Petroleum                       | <p><b>Crude oil and condensate</b><br/>65.89 million barrels</p> <p><b>Natural gas</b><br/>281.17 billion cubic feet (including LNG)</p> <p><b>LPG</b><br/>743 120 tonnes</p> <p><b>Ethane</b><br/>94 900 tonnes</p>   | <p><b>Bass Strait</b> – oil &amp; gas (Australia) 50% • 23.63 million barrels of oil; 97.02 billion cubic feet of gas; 511 810 tonnes of LPG; 94 900 tonnes of ethane</p> <p><b>North West Shelf</b> – LNG, liquids and gas (Australia) 16.67% interest in the LNG phase • 13.05 million barrels of oil &amp; condensate; 15.32 billion cubic feet of domestic gas; 62.00 billion cubic feet of LNG; 132 420 tonnes of LPG</p> | <p><b>Liverpool Bay</b> – oil &amp; gas (United Kingdom) 46.1% • 8.82 million barrels of oil; 38.26 billion cubic feet of gas</p> <p><b>Laminaria/Corallina</b> – oil (Australia) 32.6%/25% • 7.36 million barrels of oil</p> <p><b>Typhoon/Boris</b> – oil &amp; gas (US) 50% • 4.17 million barrels of oil • 6.15 billion cubic feet of gas</p> <p><b>Griffin</b> – oil &amp; gas (Australia) 45% • 3.91 million barrels of oil; 3.60 billion cubic feet of gas</p> | <p><b>Bruce/Keith</b> – oil, gas &amp; LPG (United Kingdom) 16%/31.83% • 1.98 million barrels of oil; 33.85 billion cubic feet of gas; 98 880 tonnes of LPG</p> <p><b>Americas</b> (other US and Bolivia) • 2.90 million barrels of oil; 14.47 billion cubic feet of gas</p> <p><b>Zamzama</b> – gas and condensate (Pakistan)* 38.5% • 65 000 barrels of condensate; 10.49 billion cubic feet of gas</p> |
| Aluminium                       | <p><b>Alumina</b><br/>4.09 million tonnes</p> <p><b>Aluminium</b><br/>1.07 million tonnes</p>  | <p><b>Worsley</b> – alumina refinery and bauxite mine (Australia) 86% • 2.74 million tonnes</p> <p><b>Paranam</b> – alumina refinery (Suriname) 45% • 879 000 tonnes</p> <p><b>Alumar</b> – alumina refinery (Brazil) 36% • 471 000 tonnes</p> <p><b>Hillside</b> – aluminium smelter (South Africa) 100% • 534 000 tonnes</p>   | <p><b>Bayside</b> – aluminium smelter (South Africa) 100% • 185 000 tonnes</p> <p><b>Alumar</b> – aluminium smelter (Brazil) 46% • 178 000 tonnes</p> <p><b>Valesul</b> – aluminium smelter (Brazil) 46% • 43 000 tonnes</p> <p><b>Mozal</b> – aluminium smelter (Mozambique) 47% • 134 000 tonnes</p>  |   |
| Base Metals                     | <p><b>Copper</b> 870 500 tonnes</p> <p><b>Lead</b> 240 042 tonnes</p> <p><b>Zinc</b> 193 808 tonnes</p> <p><b>Gold</b> 207 882 ounces</p> <p><b>Silver</b> 41.13 million ounces</p>  | <p><b>Escondida</b> – copper (Chile) 57.5% • 419 100 tonnes of copper in concentrate; 78 500 tonnes of copper in cathode; 64 132 ounces gold in concentrate; 1.7 million ounces of silver in concentrate</p> <p><b>Tintaya</b> – copper (Peru) 100% • 35 400 tonnes copper in cathode</p> <p><b>Antamina</b> – copper/zinc/silver (Peru) 33.75% • 96 900 tonnes copper in concentrate; 82 685 tonnes zinc in</p>               | <p>concentrate; 2.23 million ounces silver in concentrate</p> <p><b>Alumbrera#</b> – copper and gold (Argentina) 25% • 34 400 tonnes copper in concentrate; 121 303 ounces gold in concentrate</p> <p><b>Highland Valley</b> – copper (Canada) 33.6% • 56 200 tonnes copper in concentrate; 4 665 ounces of gold in concentrate</p>   | <p><b>Cerro Colorado</b> – copper (Chile) 100% • 131 100 tonnes copper in cathode</p> <p><b>Cannington</b> – silver/lead/zinc (Australia) 100% • 237 427 tonnes lead in concentrate; 63 862 tonnes zinc in concentrate; 34.87 million ounces silver in concentrate</p>  |
| Carbon Steel Materials          | <p><b>Iron Ore</b><br/>73.73 million tonnes</p> <p><b>Metallurgical Coal</b><br/>34.62 million tonnes</p> <p><b>Manganese Ores</b><br/>4.10 million tonnes</p> <p><b>Manganese Alloys</b><br/>737 000 tonnes</p> <p><b>Hot Briquetted Iron</b><br/>1.67 million tonnes</p> | <p><b>Mt Newman</b> – Joint Venture (Australia) 85% • 21.96 million tonnes iron ore</p> <p><b>Yandi</b> – Joint Venture (Australia) 85% • 31.79 million tonnes iron ore</p> <p><b>Mt Goldsworthy</b> – Joint Venture (Australia) 85% • 6.71 million tonnes iron ore</p> <p><b>Samarco</b> (Brazil) 50% • 7.86 million tonnes iron ore</p>  | <p><b>Jimblebar</b> (Australia) 100% • 5.42 million tonnes iron ore</p> <p><b>BHP Billiton Mitsubishi Alliance</b> (Australia) 50% • 21.3 million tonnes metallurgical coal</p> <p><b>BHP Mitsui Coal</b> (Australia) 80% • 6.57 million tonnes metallurgical coal</p> <p><b>Illawarra Coal</b> (Australia) 100% • 6.76 million tonnes metallurgical coal</p>   | <p><b>Samancor</b> – manganese (Australia/South Africa) 60% • 4.1 million tonnes manganese ore; 737 000 tonnes manganese alloys</p> <p><b>Boodarie Iron</b> (Australia) 100% • 1.67 million tonnes hot briquetted iron</p>  |
| Diamonds and Specialty Products | <p><b>Diamonds</b><br/>4.34 million carats</p> <p><b>Metals Distribution</b><br/>660 million lbs</p>   | <p><b>EKATI Diamond Mine</b> (Canada) 80% • 4.34 million carats</p> <p><b>Richards Bay Minerals</b> (South Africa) 50% • Attributable capacity 530 000 tonnes per year of titanium dioxide feedstock</p> <p><b>Integrus Metals</b> (US) 50% • 660 million lbs metal</p>  |   |   |
| Energy Coal                     | <p><b>Energy Coal</b><br/>81.7 million tonnes</p>  | <p><b>Ingwe</b> (South Africa) 100% • 54.24 million tonnes</p> <p><b>New Mexico</b> (US) 100% • 14.16 million tonnes</p> <p><b>Hunter Valley</b> (Australia) 100% • 6.44 million tonnes</p> <p><b>Correjon</b> (Colombia) 33.3% • 6.59 million tonnes</p>  |   |   |
| Stainless Steel Materials       | <p><b>Nickel</b><br/>78 100 tonnes</p> <p><b>Ferrochrome</b><br/>990 000 tonnes</p>  | <p><b>Cerro Matoso SA</b> (Colombia) 99.8% • 46 900 tonnes nickel</p> <p><b>QNI Yabulu</b> – nickel refinery (Australia) 100% • 31 200 tonnes nickel</p> <p><b>Samancor</b> – chrome (South Africa) 60% • 990 000 tonnes ferrochrome</p>   |   |   |

\* The second stage of the Zamzama development commenced production in late June 2003. Plateau production under current gas sales contracts will be 320 million cubic feet of gas per day and 2 000 barrels of condensate per day (gross).

# Alumbrera was sold effective 2 April 2003.

**Growth opportunities • BHP Billiton ownership • share of production**

**Ohanet** – wet gas field development (Algeria) 45% • Estimated peak production: 58 000 barrels per day (gross); Completion: Q4 CY03  
**ROD Integrated Oil Field Development** (Algeria) 36.04% • Estimated peak production: 80 000 barrels per day (gross); Completion: Q1 CY04  
**Mad Dog** – oil and gas development (US) 23.9% • Production capacity: 80 000 barrels per day (gross) and 40 mmcf (million standard cubic feet per day) gas (gross); Completion: Q4 CY04

**Atlantis** – oil and gas development (US) 44% • Production capacity: 150 000 barrels per day (gross) and 180 mmcf (gross) gas; Completion: Q3 CY06; The Caesar and Cleopatra pipeline infrastructure is being developed in association with Mad Dog and Atlantis, potentially offering opportunities for third party transportation.

**North West Shelf** – LNG expansion (Australia) 16.67% • Total production capacity: 4.2 million tonnes (gross) of LNG per annum; Completion: Q2 CY04

**Minerva** – gas development (Australia) 90% • Production capacity: 150 terajoules of gas per day (gross); Completion date is currently under review

**Angostura** – oil field development (Trinidad & Tobago) 45% • Production capacity: 100 000 barrels per day (gross); Completion: Q4 CY04

Petroleum

**Moal II** – aluminium smelter expansion (Mozambique) 47% • Incremental: 120 000 tonnes per annum; Completion: Q3 CY03  
**Hillside III** – aluminium smelter expansion (South Africa) 100% • Incremental: 132 000 tonnes per annum; Completion: Q4 CY03

Aluminium

**Escondida Norte development** (Chile) 57.5% • Sustaining: Maintains Escondida capacity at 1.25 million tonnes per annum; Completion: Q4 CY05

**Escondida sulphide leach development** (Chile) • 57.5% • Sustaining: 90 000 tonnes of copper in cathode per annum

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

Base Metals

**Area C** – iron ore (Australia) 85% • Incremental: 15 million tonnes per annum; Completion: Q4 CY03

**Products and Capacity Expansion** – iron ore (Australia) 85% • Total system capacity: 100 million tonnes per annum; Completion: Q1 CY04

**Dendrobium Mine** – metallurgical coal (Australia) 100% • Incremental: 5.2 million tonnes per annum raw coal; Completion: Q1 CY05

Carbon Steel Materials

**Panda underground** – diamonds (Canada) 80% – Access higher grade production sources; Completion: Q3 CY07

**Aurias™ and CanadaMark™** – diamond brands (Australia, US, Canada) 100% – ongoing expansion of wholesale polished diamonds sales

Diamonds and Speciality Products

**Mount Arthur North** (Australia) 100% • Total production: 15 million tonnes of raw thermal coal per annum; Completion: Q4 CY03

**Boschmanskrans** (South Africa) 100% • Production: 6.5 million tonnes (replacement) of saleable coal; Completion: Q4 CY04

**Kwagga** (South Africa) 100% • Production: 10 million tonnes (replacement) of saleable coal; Completion: Q4 CY03

**Cerrejon** (Colombia) 33.3% • Incremental production: 6 million tonnes per annum; Completion: Q4 CY07

Energy Coal

**Ravensthorpe/Yabulu Extension** (Australia) 100% • 45 000 tonnes (additional throughput) per annum

Stainless Steel Materials

## Petroleum



► Philip Aiken, President



|                                    | US\$ million |
|------------------------------------|--------------|
| Turnover                           | 3 264        |
| EBIT, excluding exceptional items  | 1 178        |
| Capital and investment expenditure | 909          |
| Net operating assets               | 3 293        |

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

### Results

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US\$1178 million, compared with US\$1073 million in 2002, an increase of US\$105 million or 9.8 per cent.

The major factor driving the increase was higher average realised prices for all petroleum products. This was partly offset by lower oil production, mostly due to natural field decline from Bass Strait, Griffin, Laminaria and Liverpool Bay. This decline was largely in line with management expectations.

The stronger A\$/US\$ exchange rate together with higher royalties and taxes had a negative impact on EBIT.

### Markets and operations

During the year the average realised oil price was US\$28.14 per barrel, compared to US\$22.58 last year. The average realised LPG price was US\$283.48 per tonne compared to US\$232.87, and the average natural gas price was US\$2.21 per thousand standard cubic feet compared to US\$1.84 last year.

Total production for the year was 122 million barrels of oil equivalent, comprising 61 per cent liquids (crude oil, condensate and LPG) and 39 per cent gas.

Oil production was 65.9 million barrels, 16 per cent lower than last year. Natural field decline from existing assets was partly offset by production commencing at the Boris field in the Gulf of Mexico. Gas production (excluding LNG) was 219.2 billion cubic feet (bcf), 2 per cent below last year. During the year gas flow commenced at the Bass Strait Bream pipeline in Australia, and at the Zamzama gas development in Pakistan. LNG production from the North West Shelf (NWS) was 62.0 bcf, 4 per cent above last year, due to increased demand in Asia and the timing of shipments.

### Development activities

We pursued our growth objectives with considerable success. The Greater Angostura development in Trinidad and Tobago and the Atlantis development in the Gulf of Mexico were sanctioned with a total approved capital expenditure of US\$1.427 billion.

We had positive exploration results in the Gulf of Mexico from the deepwater Shenzi-1, Chinook-3, Cascade-1 and Vortex-1 wells, and in Australia with Stybarrow-1. We also significantly increased our exploration acreage in the Gulf of Mexico, acquiring 67 new blocks in Lease Sales.

As a partner in the NWS project, we finalised several significant LNG sales contracts with new customers, including the agreement to supply approximately 3.3 million tonnes of LNG per year to the Guangdong LNG project in China. We also signed sales and purchase agreements with Korea Gas Corporation and Tohoku Gas.

The ROD and Ohanet developments in Algeria and the Mad Dog and Caesar and Cleopatra developments in the Gulf of Mexico continued, all to time and budget. In Australia, work continues on the NWS fourth train and the Minerva gas development.

### HSEC

Tragically, a contractor was killed while mobilising drilling equipment at our ROD development. While our injury frequency rate continued to decline, the fatality highlights the need for vigilance.

There were no significant environmental incidents. A self-assessment and audit process is under way to ensure compliance with new HSEC standards.

The outcomes from the two major initiatives launched last year – the HSEC Leadership Workshops and an HSEC Perception Survey – are being implemented. Executive Committee members are participating in selected HSEC audits and we are focusing on improving the sharing of HSEC information.

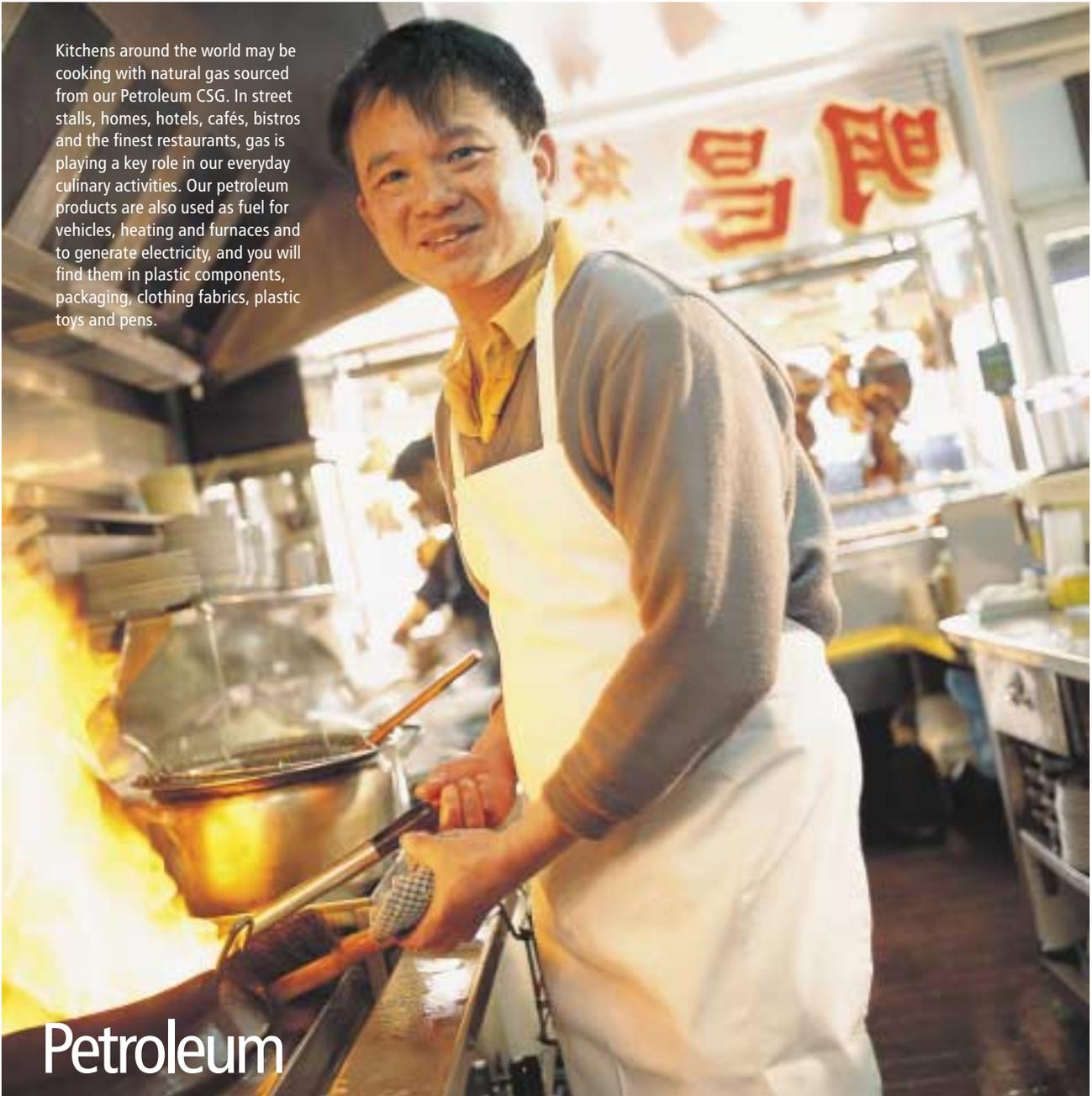
### Outlook

Our focus is on delivering our development projects, including commissioning of Ohanet, ROD and Minerva.

Work will continue with the Atlantis, Mad Dog, Caesar and Cleopatra developments, the NWS fourth train and the Angostura development.

Continuing our exploration program, we will appraise for potential development our recent Gulf of Mexico and Western Australian discoveries. Exploration activity will continue in Bass Strait, with the completion of seismic interpretation and the start of drilling operations.

Kitchens around the world may be cooking with natural gas sourced from our Petroleum CSG. In street stalls, homes, hotels, cafés, bistros and the finest restaurants, gas is playing a key role in our everyday culinary activities. Our petroleum products are also used as fuel for vehicles, heating and furnaces and to generate electricity, and you will find them in plastic components, packaging, clothing fabrics, plastic toys and pens.

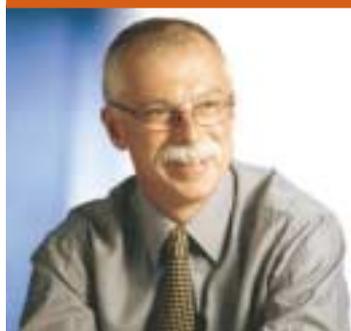


## Petroleum



*Left to Right ▶ West Tuna platform, Bass Strait, Australia ▶ John Edwards, Production Specialist, Griffin Venture, Australia  
▶ North West Shelf, Australia*

## Aluminium



► Miklos Salamon, President



|                                    | US\$ million |
|------------------------------------|--------------|
| Turnover                           | 3 386        |
| EBIT, excluding exceptional items  | 581          |
| Capital and investment expenditure | 462          |
| Net operating assets               | 5 095        |

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

### Results

Aluminium contributed Earnings Before Interest and Tax (EBIT) of US\$581 million, up from US\$492 million, an increase of 18.1 per cent compared with the corresponding period.

The increase in EBIT was mainly attributable to improved operational performance resulting from reduced maintenance costs, lower costs of consumables and increased production. The weakening of the Brazilian real/US\$ exchange rate also had a favourable impact on operating costs. These factors were partially offset by the unfavourable impact of the strengthening of the rand/US\$ and A\$/US\$ exchange rates on operating costs and the effect of inflationary pressure on costs in South Africa.

### Markets and operations

The aluminium market remained weak, reflecting the ongoing market surplus. Concerns about the rate of new smelter capacity additions weighed on market sentiment, despite the modest recovery in global demand from the low levels in calendar 2002. The smelter-grade alumina market recovered strongly. The spot alumina price more than doubled from US\$140 per tonne in the second half of calendar 2002 to US\$300 per tonne by mid-2003. With industry utilisation at historically high levels and ongoing expansion in smelting capacity, particularly in China, the prospects for alumina appear sound.

Aluminium production was 1 074 000 tonnes, compared with 992 000 tonnes last year. Production was higher across all operations, with Hillside, Mozal and our Brazilian operations reporting the most significant increases. Hillside production increased to 534 000 tonnes due to its capacity creep program, last year's completion of the pot re-lining program and non-recurrence of the September 2001 power outage. The Brazilian operations reached full production of 221 000 tonnes, recovering from a government-enforced power rationing program the previous year. Mozal's production increase to 134 000 tonnes was mainly due to the start-up of the Mozal II expansion project.

Alumina production increased from 3.9 million tonnes to 4.1 million tonnes, due mainly to Alumar's return to full production after having been affected by the government's power rationing program. Worsley production was higher as a result of its capacity creep program.

### Development activities

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

On 7 April 2003, first metal was cast at Mozal II, five months ahead of schedule. The expansion will double the smelter's output to 506 000 tonnes per year of primary ingot. Construction of the 132 000 tonne Hillside III project commenced in April 2002. First metal production is expected late in calendar 2003, well ahead of schedule.

### HSEC

Behavioural safety programs continue to drive improvement in our safety performance. The classified injury frequency rate improved substantially, particularly for contractors. A program targeting contractor performance at Mozal II achieved an outstanding rate of improvement.

Our environmental performance also improved, including reductions in greenhouse gas intensity and fluoride emissions. A specific program at Bayside smelter achieved substantial improvement in fluoride emissions from our Soderberg lines.

Outstanding results were achieved through our community development programs, particularly through our major construction projects in southern Africa.

Malaria and HIV education and support work achieved encouraging results. We also commenced a major program of baseline health studies.

### Outlook

Our focus continues to be on delivering the Mozal and Hillside expansion projects in line with approved milestones. A pre-feasibility study evaluating the expansion of the Worsley operations to 3.5 million tonnes per year has concluded and a final feasibility study is expected to be completed early in calendar 2004.

We remain committed to continual cost improvements at our operations through programs such as the Hillside and Worsley capacity creep projects and other business improvement initiatives.



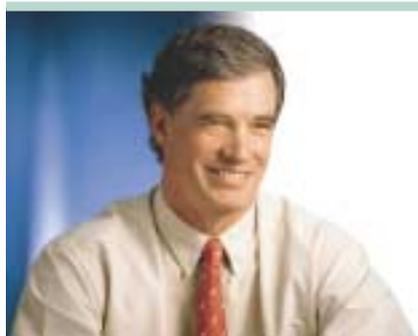
Taking a carefree ride is a breeze these days on a bicycle fashioned from strong, lightweight materials supplied by our Aluminium CSG. It is so versatile; aluminium is used in a myriad of everyday items, including tennis racquets, softball bats, beverage cans, foil wrap, saucepans, cutlery, indoor and outdoor furniture, TV and radio components, refrigerators and airconditioners, as well as wires and cables, door and window frames, wall cladding, awnings and roofing.

# Aluminium



*Left to Right ▶ Hillside III expansion project, South Africa ▶ Muchila Tomo Amisse, Casthouse Operator, Mozal, Mozambique  
▶ Wally Malajczuk, Senior Mining Engineer, Boddington Bauxite Mine, Worsley, Australia*

## Base Metals



► Brad Mills, President



|                                    | US\$ million |
|------------------------------------|--------------|
| Turnover                           | 1 954        |
| EBIT, excluding exceptional items  | 286          |
| Capital and investment expenditure | 234          |
| Net operating assets               | 3 877        |

- |                                   |                          |
|-----------------------------------|--------------------------|
| 1 Cannington (Australia)          | 5 Antamina (Peru)        |
| 2 Highland Valley Copper (Canada) | 6 Cerro Colorado (Chile) |
| 3 Selbaie (Canada)                | 7 Tintaya (Peru)         |
| 4 Escondida (Chile)               |                          |

### Results

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US\$286 million, compared with US\$192 million in 2002, an increase of US\$94 million or 49.0 per cent.

Increased production from the Escondida Phase IV expansion, completed in October 2002, plus a higher average realised copper price at US\$0.73 per lb, compared to US\$0.69 per lb in 2002, contributed to the increase. EBIT also benefited from a full 12 months of operations from Antamina. Lower lead and zinc prices and unfavourable exchange rates were partially offset by lower exploration expense relating to the write-off of La Granja in 2002. Also, during the year our interests in the Alumbra Mine and Agua Rica prospect joint ventures in Argentina were sold for a gain of US\$23 million.

### Markets and operations

Weak economies in the western world resulted in lower than forecast demand growth for base metals. In copper, the continued strong growth of Chinese demand has been one of few positive aspects. We maintained our demand-based production strategy and produced at an annualised rate of 290 000 tonnes of contained copper below installed capacity.

The production curtailment has helped to balance supply and demand, but any significant price improvement is dependent on economic recovery in the mature economies. The decline in exchange warehouse stocks of copper during the year was positive but has been partially offset by off-exchange stockpiling as announced by Codelco in Chile and by producers in China.

In the concentrate markets, the sustained low prices (and capacity closures in copper) have produced unprecedented tightness. Treatment and refining charges have fallen to historic real lows. The outlook is for continued tightness to persist until a price recovery occurs that enables a restart of shuttered capacity and investment in new and incremental sulphide mine production.

### Development activities

During fiscal 2003, the Escondida Phase IV expansion project, designed to increase production by 400 000 tonnes per year of contained copper, was completed on schedule and 10 per cent below the US\$600 million approved budget. Additionally, the US\$230 million Escondida Norte project, involving the development of a satellite orebody to the Escondida Mine,

was approved by the owners enabling Escondida to sustain copper production at 1.25 million tonnes per year.

Feasibility studies are continuing on our other major development projects including Escondida Sulphide Leach and Spence.

Significant progress in rationalising our existing portfolio to focus on core growth assets was achieved as exits were made from Lan Ping zinc (China), the Tenke copper project (Democratic Republic of Congo) and the La Granja copper project (Peru). Additionally, interests were sold in the Crandon deposit in Wisconsin, US and both the Alumbra Mine and Agua Rica deposit in Argentina.

### HSEC

The year was marked by a top-to-bottom approach in commitment, awareness and personal responsibility for safety. Tragically, the fatality of a contractor reminded us of the need for continuing rigour. Lead indicators were developed to improve the tracking of key management practices.

Environmental management plans were implemented for energy, greenhouse gases, water, waste and land, and all operations achieved ISO 14001 certification.

Our work towards the sustainable development of host communities continued through the existing foundations at Escondida and Tintaya and two new foundations at Antamina and at La Granja in support of our exit from this project.

### Outlook

We are confident about the prospects for our business as markets continue to recover and we continue to realise cost improvements at existing operations through our Six Sigma Operating Excellence program.

Future growth will be achieved through the development of our top tier inventory projects and through the restoration of our operations to full capacity once warranted by market demand. For example, on 12 August 2003 we announced the restart of idled production at Tintaya (Peru).

Through our commitment to exploration, we aim to be a leader in discovering and developing world-class base metals projects.

A tiny laptop is a powerhouse of possibilities, greatly expanding our capabilities and productivity. Key components in many computers are made from commodities supplied by our Base Metals CSG. They are also essential for the production of radio and TV sets, electrical appliances and airconditioning; electrical wiring for buildings and vehicles; robotics; scientific instruments; roofing, fences, doors, plumbing, paints and car batteries; as well as jewellery, watches, cutlery, medallions and toys.

## Base Metals



*Left to Right ▶ Neil Duffy, Mobile Mechanical Team, Cannington, Australia ▶ Julio Escudero, Head of Mine Dewatering, at the port of Antofagasta, Escondida, Chile ▶ Copper-zinc mine, Antamina, Peru*

## Carbon Steel Materials



► Bob Kirkby, President



|                                    | US\$ million |
|------------------------------------|--------------|
| Turnover                           | 3 714        |
| EBIT, excluding exceptional items  | 1 045        |
| Capital and investment expenditure | 479          |
| Net operating assets               | 2 567        |

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

### Results

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US\$1045 million, compared with US\$1084 million in 2002, a decrease of US\$39 million or 3.6 per cent.

The results were enhanced by record production and sales of Western Australian iron ore and increased demand for Samarco pellets and manganese products. Lower costs at Illawarra Coal and an improved operating performance at Boodarie Iron also had a favourable impact on the result.

This was offset by the impact of stronger A\$/US\$ exchange rates on operating costs and inflationary pressures on costs in Australia and South Africa.

### Markets and operations

Global steel production reached record levels during the year, driven by China. Accordingly, demand for iron ore remained extremely strong, particularly in Asian markets. Attributable Western Australian iron ore production was 65.9 million tonnes, an increase of 5.8 per cent. The strong demand for iron ore products also resulted in record sales at Samarco.

Manganese prices and volumes were robust during the year, also buoyed by strong demand from China. Manganese ore production increased by 567 000 tonnes, while alloy production rose by 119 000 tonnes.

Metallurgical coal demand remained steady for most of the period. Queensland coal production was positively impacted by strong customer demand in the second half of the year. Illawarra Coal production was 4.6 per cent lower, reflecting the closure of the Tower colliery. Sales however, increased by 7.2 per cent due to strong customer demand.

Buoyant market conditions also had a positive impact on Boodarie Iron during the year. New production and shipping records were consistently set as the plant's ramp-up continued.

### Development activities

Major growth projects in Western Australia were accelerated due to strong customer demand for iron ore. The Area C project remains within budget and is on schedule to commission early in the fourth quarter of calendar 2003.

As part of the Area C development, we have entered into an agreement with POSCO to develop the 'C Deposit' section of the project.

Detailed engineering for the Products and Capacity Expansion (PACE) project was virtually complete by the end of the year and the project remains on budget and on track to commission ahead of schedule in the first quarter of calendar 2004.

Engineering studies have also commenced on a number of incremental expansion projects at the Western Australian operations.

At the end of the financial year, surface construction activities at the Dendrobium metallurgical coal mine were nearing completion. The project is on budget and longwall commencement is expected ahead of schedule in early calendar 2005.

In our Queensland coal operations, feasibility work commenced on the Broadmeadow Underground project, which is a low-cost, low-risk addition to the Goonyella/Riverside open-cut operations.

### HSEC

While our classified injury frequency rate decreased by 34 per cent during 2003, we are committed to a further improvement in our health and safety performance in 2004, with a goal of Zero Harm.

On the environment and community front, a number of initiatives were successfully implemented in areas such as environmental management (with sites achieving ISO 14001 certification), Aboriginal employment, occupational health hygiene and the establishment of several community partnerships.

### Outlook

Our focus in 2004 will be on completing studies and investment required to maintain our market position in an environment of burgeoning Chinese demand.

Key activities include accelerating the development of the Area C and PACE projects and progressing the Dendrobium and Broadmeadow Underground projects. In addition we will focus on the successful delivery of incremental expansions at a number of operations.

The emphasis on cost reduction and efficiency will continue as we strive to deliver increased shareholder value in the face of appreciating Australian and South African currencies.



Steel made from iron ore supplied by our Carbon Steel Materials CSG is a major component in many modern office towers, including landmark buildings and structures around the world. Steel is also used in motor vehicles, washing machines, refrigerators, ovens and other whitegoods, as well as cans, cutlery, tools and jewellery. Our coking coal is another key constituent in steelmaking, while manganese is also an important ingredient in steel, glass, ceramics and dry cell batteries.

# Carbon Steel Materials



*Left to Right ▶ John Spencer, Contract Mine Deputy and Peter Whittall, Mine Manager, Dendrobium Colliery, Illawarra Coal, Australia  
▶ Warwick Anderson, Undermanager, West Cliff Colliery, Illawarra Coal, Australia ▶ Kirsty Culver, Geologist, Mt Whaleback, Newman, Australia*

## Diamonds and Specialty Products



► Marcus Randolph, President



|                                    | US\$ million |
|------------------------------------|--------------|
| Turnover                           | 1 485        |
| EBIT, excluding exceptional items  | 299          |
| Capital and investment expenditure | 101          |
| Net operating assets               | 1 518        |

- 1 Johannesburg (South Africa)
- 2 Richards Bay Minerals (South Africa)
- 3 Brisbane (Australia)
- 4 Melbourne (Australia)
- 5 Newcastle (Australia)
- 6 Antwerp (Belgium)
- 7 EKATI (Canada)
- 8 Integris (North America)
- 9 Vancouver (Canada)

1, 5: Technology Centres  
3, 4, 9: Minerals Exploration Offices  
6: Diamonds Marketing

### Results

Excluding Minerals Exploration and Technology expenses, Earnings Before Interest and Tax (EBIT) were US\$370 million, compared with US\$342 million in 2002, an increase of US\$28 million or 8.2 per cent. Minerals Exploration and Technology expenses were US\$71 million, compared with US\$70 million in 2002.

The results were enhanced by high processing rates and diamond production at the EKATI Diamond Mine. Integris Metals, our North American metals distribution joint venture, recorded lower profits, primarily due to reduced volumes and margins in the depressed US and Canadian manufacturing market.

### Markets and operations

The polished diamond market was consistently solid and Christmas sales were higher than expected. The rough diamond market was also buoyant, with strong demand for all the EKATI Diamond Mine categories. To support premium prices for EKATI stones, we are increasing promotion of our Aurias™ and CanadaMark™ brands. Diamond production was 4.3 million carats, an increase of 19 per cent.

The primary product from Richards Bay Minerals is titanium dioxide in the form of chloride slag. Markets are currently in substantial oversupply and are expected to continue so for the medium term. With production reduced to reflect lower demand, output was 10.9 per cent lower.

Integris Metals, reflecting the US economy, recorded total sales of 660 million pounds of primarily aluminium and stainless steel, a decrease of 17 per cent.

### Development activities

We manage Minerals Exploration and Technology activities across the Group. Our exploration strategy is globally focused, combining a rigorous risking and ranking of opportunities with a mix of sole-funded, joint venture and optional 'buy-back' transaction structures. This approach seeks to reduce the risk inherent in early-stage exploration while maximising exposure to world-class targets per dollar of expenditure. Funds are allocated mainly to diamonds, copper and nickel/platinum group metals, with lesser funds applied to iron ore and coal.

At the Resolution (Arizona, US) copper deposit, a joint program with Rio Tinto is advancing what has been confirmed as a deep high-grade porphyry copper mineralisation discovery.

Our airborne gravity survey tool, FALCON™, created several opportunities, including a diamond exploration project in Botswana through our alliance with Kalahari Diamonds. Our regional Canadian diamond exploration program is also generating encouraging results.

Our Technology group coordinates the application of technology across our operations and also seeks to develop 'revolutionary' technology that will fundamentally alter the cost structure of producing a particular product. Major activities include the next generation of bio-leaching, using whole-of-ore heap leaching of sulphide ores, which is producing encouraging results. Other projects include the development of proprietary processes for the production of low-cost titanium metal and atmospheric leaching of nickel laterite deposits.

### HSEC

The focus on Zero Harm contributed to an improved HSEC performance. Major safety programs are under way at EKATI and within our Exploration and Technology groups. Classified injuries were down 24 per cent versus the previous year.

BHP Billiton Diamonds continues to be recognised for its strong community and environmental performance. EKATI was named Canadian Developer of the Year and received several other major awards for excellence in workplace literacy and energy efficiency. EKATI has also recently been recommended for ISO 14001 certification.

### Outlook

The outlook for diamonds continues to be excellent. Increased brand advertising appears to be strengthening demand, which should sustain prices.

For titanium dioxide, prices are expected to remain under pressure due to oversupply, and Richards Bay Minerals is not expected to return to full capacity in the coming year.

We will continue to focus on ramping up diamond production, including development of underground reserves at EKATI, while further developing our downstream diamond activities.



Quality of life today is enhanced by replacement implants for failing hips and other joints. Many of these are made with titanium metal manufactured from rutile supplied by our Diamonds and Specialty Products CSG. Titanium is also a vital ingredient in heart pacemakers, robotics, aerospace equipment, ceramics, computer and TV screens, cosmetics, and pigments for paints, fabrics, plastics and paper. As well as being valued as jewellery, diamonds can be used in drill bits, machine tool tips, cutting discs and polishing compounds.

## Diamonds and Specialty Products



*Left to Right ▶ Gilbert Mantia, Process Plant, EKATI Diamond Mine, Canada ▶ Slag Tap on Furnace 4, Richards Bay Minerals, South Africa ▶ Falcon™, the world's first airborne gravity gradiometer system*

## Energy Coal



► Mike Oppenheimer, President



|                                    | US\$ million |
|------------------------------------|--------------|
| Turnover                           | 2 089        |
| EBIT, excluding exceptional items  | 190          |
| Capital and investment expenditure | 300          |
| Net operating assets               | 2 193        |

- 1 Ingwe (South Africa)
- 2 Queensland Coal (Australia)
- 3 Illawarra Coal (Australia)
- 4 Hunter Valley (Australia)
- 5 PT Arutmin (Indonesia)
- 6 PT Kendilo (Indonesia)
- 7 New Mexico Coal (US)
- 8 Cerrejon Coal (Colombia)

2, 3 & 5: Marketing agents for energy coal output  
6: Infrastructure for third party trading

### Results

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US\$190 million, compared with US\$536 million in 2002, a decrease of US\$346 million or 64.6 per cent.

The decrease was due to a significant decline in export prices, the impact of the stronger rand and Australian dollar, inflationary pressures and restructuring costs in South Africa. The divestment of PT Arutmin (Indonesia) in November 2001 also had an unfavourable impact on EBIT compared with the corresponding period.

These factors were partially offset by improved New Mexico Coal EBIT due partly to benefits associated with the San Juan underground mine transition, and the inclusion of profits from the additional share of the Cerrejon operation in Colombia, combined with significant cost reductions at this operation.

### Markets and operations

Notwithstanding the anticipated mid-year price rally, the European market for export coal was relatively weak throughout the year. Free On Board (FOB) prices for sales from South Africa averaged around US\$25.14 per tonne, a 15 per cent decrease. The market experienced an increase in short-term volatility and strong inter-fuel competition.

We made progress in our strategy of securing greater-than-commodity value for our products and a number of innovative market transactions were concluded in Europe. Leveraging off our European experience, we enhanced our Asian market position to support the ramp-up in production from Australia's Mount Arthur North project and Indonesian agency commitments.

Production was 81.7 million tonnes, a decrease of 1.4 per cent. Production lost as a result of the PT Arutmin divestment and the closure of certain Ingwe mines, amounting to 6.9 million tonnes, was offset by increases in Colombia, Hunter Valley and New Mexico.

Cerrejon implemented a business improvement project that delivered significant cost and capital efficiency benefits. Ingwe launched a wide-ranging initiative aimed at fundamental operational restructuring to ensure that profitability is maintained during adverse movements in external economic conditions.

### Development activities

The focus was on the delivery of approved projects and the investigation of opportunities to reinforce our low-cost supply position and increase access to higher growth markets.

The San Juan underground mine was completed on time and under budget and is now the sole source of supply for the mine's customer. The integration of the two Cerrejon operations was successfully concluded and the identified synergy benefits are being realised. The Mount Arthur North project commenced domestic supply in line with contract commitments and the export program is on schedule and within budget. The Kwagga and Boschmanskrans projects are progressing to plan and are contributing to Ingwe earnings.

Cerrejon's joint venture partners approved the next stage of expansion to 28 million tonnes per year. In Australia, with the Petroleum CSG, we are pursuing a niche coal-bed methane opportunity to service eastern Australian gas markets.

### HSEC

An intensified safety effort resulted in a fatality-free year, a 22 per cent reduction in classified injury frequency rate and overall improvement in all areas of safety performance. Zero Harm remains our target and we will continue to focus on fatality prevention, behavioural change and safety leadership.

Progress was made on critical industrial health issues and the management of HIV/AIDS in the South African operations. We have continued to place emphasis on developing and maintaining excellent relationships with our host communities. No significant environmental incidents occurred and all fully developed operations achieved ISO 14001 certification.

### Outlook

Our challenge is to maintain our competitive position and improve margins in the face of short-term currency appreciation, volatile prices and continued weakness in Asian markets.

The key objectives are continued safety improvement, restructuring in South Africa, realising cost and production efficiencies globally and delivering on projects in line with expectations.

Our marketing teams will continue to focus on securing a greater share of higher value markets.

Switch on any light and it is most likely that the source of power generation will be electricity from thermal coal, perhaps supplied by our Energy Coal CSG. Think of the value that electric lighting has added to our lives in terms of productivity, enjoyment, safety and security. Thermal coal is also a major generating source for heating and is used in the production of cement for our homes, offices and many other structures.



## Energy Coal



*Left to Right ▶ Shane Hall, Coal Preparation Plant Technician, Mt Arthur Coal, Australia ▶ Construction, Mt Arthur Coal, Australia  
▶ Shift change-over, Douglas Colliery, South Africa*

## Stainless Steel Materials



► Chris Pointon, President



|                                    | US\$ million |
|------------------------------------|--------------|
| Turnover                           | 1 106        |
| EBIT, excluding exceptional items  | 150          |
| Capital and investment expenditure | 121          |
| Net operating assets               | 1 695        |

- 1 Samancor Chrome (South Africa)
- 2 QNI Yabulu Refinery (Australia)
- 3 Cerro Matoso (Colombia)

### Results

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US\$150 million, compared with US\$3 million in 2002, an increase of US\$147 million.

Major factors contributing to the increase included higher realised prices for nickel and ferrochrome products, up 28.6 per cent and 18.9 per cent respectively, and higher production volumes. These were partially offset by the impact of the strengthened Australian and South African currencies and higher energy costs.

### Markets and operations

Stainless steel production grew 7.9 per cent for calendar 2002, despite continued weakness in the global economy and faltering global industrial production. Demand for primary nickel and ferrochrome remained buoyant, reflecting the strong stainless steel growth and limited availability of scrap. Nickel prices continued their upswing from the cyclical low in late 2001, spurred by robust demand for stainless steel, particularly from China, and a generally tight stock position. Ferrochrome demand has also increased but price improvement has not matched nickel due to the industry's ability to quickly restart idle production capacity.

Cerro Matoso's ferronickel production of 46 900 tonnes was a new record as the ramp-up of Line II was completed. QNI Yabulu Refinery built solidly on last year's improved operating efficiencies with higher nickel and cobalt recoveries and the benefits of higher ore grades, and established a new annual production record of 31 200 tonnes.

QNI's increased nickel production and favourable nickel prices were offset by low cobalt prices and high energy costs due to historically high oil and naphtha prices, by price-related nickel ore supply costs and by an appreciating Australian dollar.

Samancor Chrome is benefiting from the impact of a restructuring program, higher capacity utilisation and improved prices. However, these benefits were offset by the appreciating South African rand and higher inflation.

### Development activities

The Ravensthorpe/Yabulu Extension project has moved into the final feasibility study, which is due for completion by the end of calendar 2003. Environmental approvals for the Yabulu extension were received from Australian authorities. This combined project will provide a low-cost, high-grade feed to Yabulu and significantly improve the competitiveness of QNI's operations.

The Samancor Chrome restructuring program is continuing, with the focus shifting from the furnaces to the mines to increase production and cost efficiencies.

### HSEC

Our objective of Zero Harm remains our single greatest challenge and key focus. In partnership with DuPont, safety management evaluations and leadership training programs were completed at all sites. Overall safety performance improved, with reductions in classified and total injury frequency rates. Despite this, a supervisor at our Samancor Chrome Ferrometals operation lost his life in a tragic accident. Investigations were completed, corrective actions implemented and lessons shared throughout the organisation.

Environmental management has shown further improvement, with a focus on the development and implementation of water and energy management plans.

### Outlook

Although some short-term weakness is likely, growth in underlying demand for stainless steel and committed expansions by our major customers make for a positive market outlook.

With primary nickel production globally running at an estimated 95 per cent of capacity and low stocks, continuing upward pressure on prices should be expected. The strength of the South African rand against the US dollar is expected to remain a key influence on ferrochrome profitability and price.

The Ravensthorpe/Yabulu Extension project studies are due to be finalised within the next year, with development commencing if feasibility is confirmed.

Our focus remains on enhancing our position as a supplier of quality raw materials to the rapidly expanding stainless steel industry, with continuously improving performance and reducing unit costs at all our operations.



The surgical instruments relied on by many doctors are made with nickel from our Stainless Steel Materials CSG. It is also a key component in mobile phones, computer hard disks, colour TV tubes, whitegoods, vehicles and turbines. Chrome is used in electrical appliances, bathroom and kitchen fittings, building cladding, and paint pigments, while you will find cobalt in videotape coatings, heating elements, magnets, jet engines and lithium batteries for mobile phones and laptop computers.

## Stainless Steel Materials



*Left to Right ▶ Gordon Strambini, Turbine Operator, and Mark Kelly, Community Relations and Communications Co-ordinator, QNI Yabulu Refinery, Australia ▶ Fernando Sanchez, Electrical and Project Engineer, Cerro Matoso, Colombia*

## Health, Safety, Environment and Community (HSEC) Review

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*'We deliberately made HSEC part of our strategic framework, because we value our people and we recognise excellence in HSEC is good for our business.'* Chip Goodyear, 2003

BHP Billiton is the world's largest diversified resources company. The long-term, stable nature of our business affords a number of advantages. Within the HSEC arena, this stability translates into a capacity to plan for the longer term, while our diversification allows us to transfer improvement and innovation across the organisation.

Central to our business, as our Charter states, is our 'overriding commitment to health, safety, environmental responsibility and sustainable development'. Supporting this value is our HSEC Policy, providing the framework for our aspiration towards Zero Harm. In practice, the Policy and Charter are implemented via detailed HSEC Management Standards and Protocols, the requirements of which must be met at all our operations.

The implementation of the HSEC Management Standards continues to progress well, with understanding and conformance to the Standards improving. The associated audit process for the Standards is proving invaluable in accelerating the rate of improvement in all aspects of HSEC management through the identification and communication of leading practices.

During the year, the Health, Safety and Environment Committee of the Board continued to provide guidance in relation to the effectiveness of HSEC management systems and strategies. Members participated in a number of site reviews and audits, as well as acting in an advisory capacity for significant incident reviews.

To better understand and manage HSEC risks that are critical to our business, risk registers are now in place at all required operations and development sites, and at Customer Sector Group and Corporate levels. With the implementation of the Enterprise-Wide Risk Management process, HSEC risks are now being embedded into core business systems and processes.

Improving health and safety performance continued to be a critical focus for the organisation. Baseline health surveys were completed at a majority of sites, incorporating the establishment of occupational hygiene monitoring and health surveillance programs. A 20 per cent reduction in our injury frequency rate was an excellent achievement during the year, reflecting dedicated efforts to safety improvement. However, we deeply regret that three people lost their lives in our controlled operations during the year.

While the number of fatalities (3) in our controlled operations was significantly lower than last year (13), each death that occurs has a profound impact on our people and their families. Our resolve to attain our goal of zero fatalities is stronger than ever

and we will continue to seek opportunities to improve. The development of Fatal Risk Control Protocols for nine key areas is a significant step towards achieving this goal. The Protocols, written by experienced teams drawn from across BHP Billiton, establish minimum performance requirements for managing risk in areas associated with the majority of our past fatalities. We are also monitoring significant incidents, including fatalities, that occur from activities related to our business but are not under our management control. We have established processes to learn from these incidents.

Environmental performance across the Company continued to be sound, reflecting our systematic approach to managing environmental risk. No significant environmental incidents were recorded during the period (i.e. incidents rated 3 or above on the BHP Billiton Consequence Severity Ranking Table). Furthermore, in line with our target for sites to achieve certification against the international standard for environmental management ISO 14001, all sites requiring certification are now certified or have been recommended for certification by their ISO auditor. Recognising that improving environmental performance will, in many cases, improve our financial returns, plans focusing upon driving eco-efficiency gains have been developed at a majority of sites.

In line with our Policy, efforts have continued towards improving our engagement with our host communities. Community relations plans are in place at 93 per cent of required sites around the world.

Our community contributions of 1.4 per cent of our pre-tax profit, based on a rolling three-year average, once again exceeded the target of 1 per cent. Many of these contributions support programs that focus on delivering sustained benefits in areas such as health, education and training. No transgressions of the principles embodied within the United Nations Declaration of Human Rights were reported to have occurred within the Group during the year.

Some of our improvements in HSEC performance have been realised through the application of the Operating Excellence business improvement methodology. Many of these projects have not only demonstrated HSEC gains, but also importantly delivered sustainable business outcomes. For example, an energy efficiency project at EKATI has saved over one million litres of diesel usage per annum and contributed to a 21 per cent reduction in greenhouse gas intensity at that site. Incorporation of HSEC into our strategic framework recognises that good HSEC performance delivers good business performance.



► Images reflecting our journey towards sustainable development

During the year, we have been active in the International Council on Mining and Metals (ICMM) work program. The ICMM was established in 2001 as a global leadership body on sustainable development. An important part of the establishment process of the ICMM has been the development of the Sustainable Development Framework, a guiding set of principles, which all member companies have now endorsed. A gap analysis of our HSEC Management Standards and the Framework identified strong alignment in the majority of areas, with the exception of community relocation and human rights training and guidance. As a result we have since committed to implement the World Bank Guidelines on Involuntary Resettlement and the UK-US Voluntary Principles on Security and Human Rights.

In June 2003, we reaffirmed our commitment to the United Nations Global Compact and associated principles. A copy of our letter to the United Nations is available on our website at [www.bhpbilliton.com](http://www.bhpbilliton.com). While fully recognising the right of our employees to freely associate and join trade unions, we have a number of locations where we have a mix of collective and individual arrangements. Prospective employees are made aware of employment arrangements prior to joining the Company. At all times, our businesses comply with local employment law requirements and treat employees in accordance with the values expressed in our Charter.

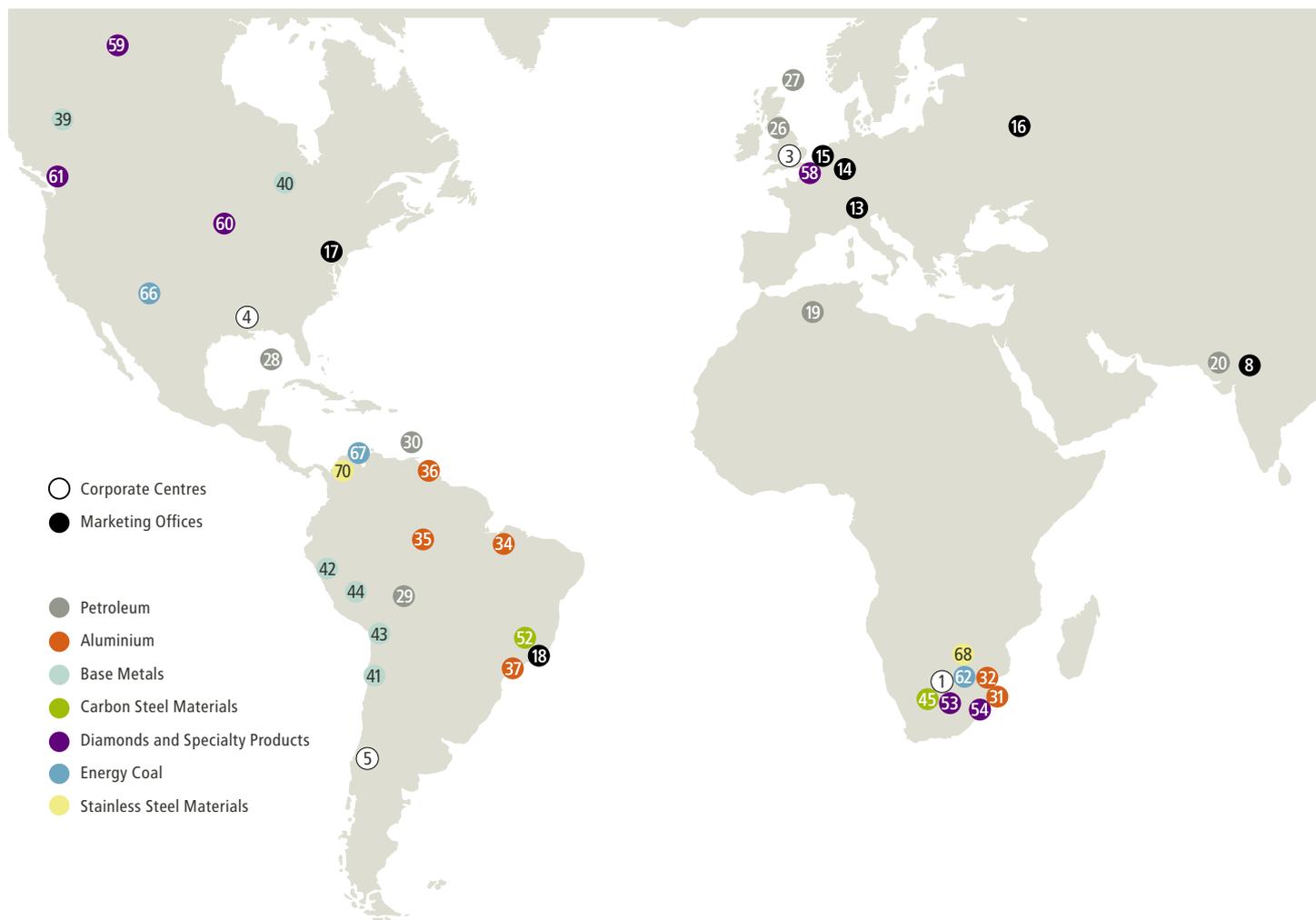
We have been delighted over the past year to receive external recognition for our performance in the areas of community partnerships, sustainable development and sustainability reporting. Notable events have included our inclusion in the Dow Jones Sustainability Group Index and the FTSE4Good Global Index, and receipt of the Special Award in Environmental Reporting at the Australasian Reporting Awards, the Banksia Award for Leadership in Sustainability in the Australian Minerals Industry, the Australian Prime Minister's Award for Excellence in Community and Business Partnerships, and the 'Corporate Partnership of the Year Award 2003' at The Australian Financial Review Magazine Partnership Awards.

Internally, our HSEC Award program has been highly successful, with an increased number of applications received from across the Company. The awards have proved to be invaluable in recognising excellence in HSEC and transferring those improvement ideas throughout the organisation.

Our full HSEC Report was prepared in accordance with the 2002 Global Reporting Initiative Guidelines. This Report is available for download on our website at [www.bhpbilliton.com](http://www.bhpbilliton.com). A summary of our HSEC Report is also available from the website or in hard copy.

Moving forward, our efforts continue to focus on improvement of HSEC performance, consistent with our belief that this is in the interest of all of our stakeholders.

## BHP Billiton Locations



*Our diversification across countries, commodities and markets helps distinguish us from other resource companies. BHP Billiton has some 35 000 employees working in more than 100 operations in around 20 countries.*

### Corporate Centres

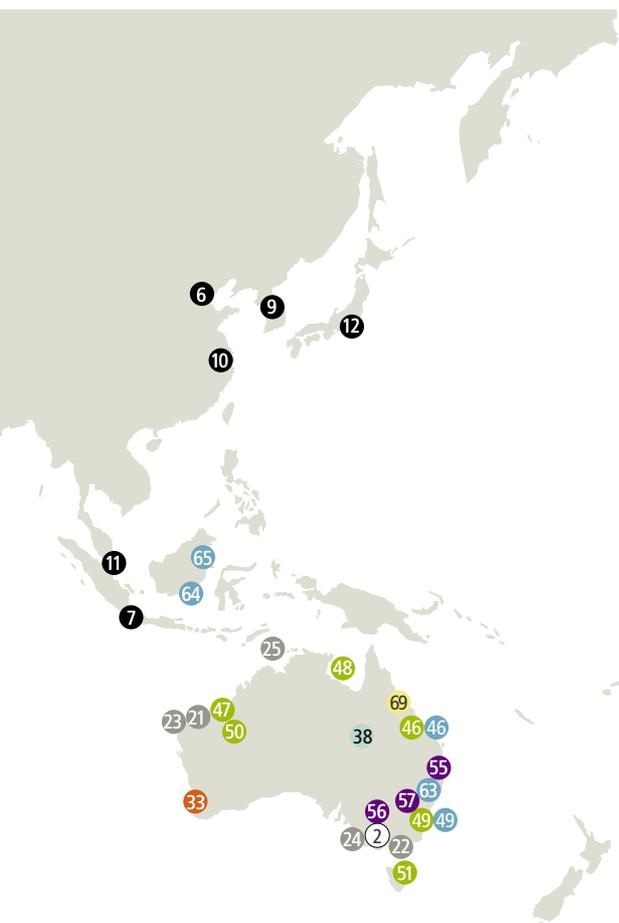
| Ref | Continent     | Location                        |
|-----|---------------|---------------------------------|
| 1   | Africa        | Johannesburg                    |
| 2   | Australia     | Melbourne (Global Headquarters) |
| 3   | Europe        | London                          |
| 4   | North America | Houston                         |
| 5   | South America | Santiago                        |

### Marketing Offices

| Ref | Continent     | Location       |
|-----|---------------|----------------|
| 6   | Asia          | Beijing        |
| 7   | Asia          | Jakarta        |
| 8   | Asia          | New Delhi      |
| 9   | Asia          | Seoul          |
| 10  | Asia          | Shanghai       |
| 11  | Asia          | Singapore      |
| 12  | Asia          | Tokyo          |
| 13  | Europe        | Baar           |
| 14  | Europe        | Essen          |
| 15  | Europe        | The Hague      |
| 16  | Europe        | Moscow         |
| 17  | North America | Pittsburgh     |
| 18  | South America | Rio de Janeiro |

### Petroleum

| Ref | Continent     | Site/Asset          | Description  | Ownership   |
|-----|---------------|---------------------|--|-------------|
| 19  | Africa        | Algeria             | ROD and Ohanet developments  | 36.04–45%   |
| 20  | Asia          | Zamzama, Pakistan   | Operator of gas development  | 38.5%       |
| 21  | Australia     | North West Shelf    | One of Australia's largest resource projects, producing liquids, LNG and domestic gas                      | 8.33–16.67% |
| 22  | Australia     | Bass Strait         | The Bass Strait operations produce oil, condensate, LPG, natural gas and ethane                            | 50%         |
| 23  | Australia     | Griffin             | Operator of oil and gas project offshore WA  | 45%         |
| 24  | Australia     | Minerva             | Gas field under development in the Otway Basin   | 90%         |
| 25  | Australia     | Laminaria/Corallina | Oil production in the Timor Sea  | 25–32.6%    |
| 26  | Europe        | Liverpool Bay       | Operator of oil and gas development in the Irish Sea   | 46.1%       |
| 27  | Europe        | Bruce/Keith         | Oil and gas production in the UK North Sea   | 16–31.83%   |
| 28  | North America | Gulf of Mexico      | Interests in five producing assets in the Gulf of Mexico; development activities and exploration interests | 4.95–50%    |
| 29  | South America | Bolivia             | Oil and gas production   | 50%         |
| 30  | South America | Trinidad            | Operator of the Angostura oil field development  | 45%         |
| –   | Various       | Exploration         | Exploration interests in South Africa, Brunei, Brazil, Australia, US, Trinidad and the UK                  | –           |



## Aluminium

| Ref | Continent     | Site/Asset                     | Description                                | Ownership |
|-----|---------------|--------------------------------|--|-----------|
| 31  | Africa        | Hillside/Bayside, South Africa | Two aluminium smelters                     | 100%      |
| 32  | Africa        | Mozal, Mozambique              | Aluminium smelter                          | 47%       |
| 33  | Australia     | Worsley, Australia             | Integrated alumina refinery/bauxite mine   | 86%       |
| 34  | South America | Alumar, Brazil                 | Alumina refinery and aluminium smelter     | 36–46%    |
| 35  | South America | MRN, Brazil                    | Bauxite mine                               | 14.8%     |
| 36  | South America | Paranam, Suriname              | Alumina refinery and Lelydorp bauxite mine | 45–76%    |
| 37  | South America | Valesul Aluminio, Brazil       | Aluminium smelter                          | 46%       |

## Base Metals

| Ref | Continent     | Site/Asset                     | Description   | Ownership |
|-----|---------------|--------------------------------|---|-----------|
| 38  | Australia     | Cannington, Australia          | Silver, lead and zinc mine in north-west Queensland   | 100%      |
| 39  | North America | Highland Valley Copper, Canada | Highland Valley Copper mine in British Columbia   | 33.6%     |
| 40  | North America | Selbaie, Canada                | Open pit operation producing zinc and copper concentrate and by-products including gold and silver. Due to close in January 2004. | 100%      |
| 41  | South America | Escondida, Chile               | One of the largest copper mines in the world  | 57.5%     |
| 42  | South America | Antamina, Peru                 | Large copper-zinc mine  | 33.75%    |
| 43  | South America | Cerro Colorado, Chile          | Copper mine in northern Chile, producing cathode copper through a SXEW leach operation  | 100%      |
| 44  | South America | Tintaya, Peru                  | Produces copper concentrate and copper cathode within the 'Skarn Belt' of south-eastern Peru                                      | 100%      |

## Carbon Steel Materials

| Ref | Continent     | Site/Asset                       | Description  | Ownership |
|-----|---------------|----------------------------------|--|-----------|
| 45  | Africa        | Samancor Manganese, South Africa | Integrated producer of manganese alloys and ferroalloys                          | 60%       |
| 46  | Australia     | Queensland Coal, Australia       | World's largest supplier of high-quality metallurgical coal for steel production | 50–80%    |
| 47  | Australia     | Boodarie Iron, Australia         | Hot briquetted iron plant  | 100%      |
| 48  | Australia     | GEMCO Australia                  | Producer of manganese ore (part of Samancor)                                     | 60%       |
| 49  | Australia     | Illawarra Coal, Australia        | Four underground coal mines  | 100%      |
| 50  | Australia     | WA Iron Ore, Australia           | The Pilbara iron ore mines rank among the world's best long-life iron ore assets | 85–100%   |
| 51  | Australia     | TEMCO, Australia                 | Producer of manganese alloys (part of Samancor)                                  | 60%       |
| 52  | South America | Samarco, Brazil                  | An efficient low-cost producer of iron ore pellets                               | 50%       |

## Diamonds and Specialty Products

| Ref | Continent     | Site/Asset                          | Description   | Ownership |
|-----|---------------|-------------------------------------|---|-----------|
| 53  | Africa        | Johannesburg, South Africa          | Technology Centre                                   | 100%      |
| 54  | Africa        | Richards Bay Minerals, South Africa | World's largest producer of titanium slag           | 50%       |
| 55  | Australia     | Brisbane, Australia                 | Mineral Exploration Office                          | –         |
| 56  | Australia     | Melbourne, Australia                | Mineral Exploration Office                          | –         |
| 57  | Australia     | Newcastle, Australia                | Technology Centre                                   | 100%      |
| 58  | Europe        | Antwerp, Belgium                    | Diamonds marketing                                  | 100%      |
| 59  | North America | EKATI, Canada                       | Diamond mine in the Northwest Territories of Canada | 80%       |
| 60  | North America | Integrus Metals, US                 | Metals distribution                                 | 50%       |
| 61  | North America | Vancouver, Canada                   | Mineral Exploration Office                          | –         |

## Energy Coal

| Ref | Continent     | Site/Asset                           | Description  | Ownership |
|-----|---------------|--------------------------------------|--|-----------|
| 46  | Australia     | Queensland Coal, Australia           | Marketing agent for energy coal output               | –         |
| 49  | Australia     | Illawarra Coal, Australia            | Marketing agent for energy coal output               | –         |
| 62  | Africa        | Ingwe, South Africa                  | Largest coal producer in South Africa                | 100%      |
| 63  | Australia     | Hunter Valley Energy Coal, Australia | New 12mtpa mine (Mount Arthur North) being developed | 100%      |
| 64  | Asia          | PT Arutmin, Indonesia                | Marketing agent for 75% of coal output               | –         |
| 65  | Asia          | PT Kendilo, Indonesia                | Infrastructure for third party trading               | 100%      |
| 66  | North America | New Mexico Coal, US                  | Mine-mouth operations including new underground mine | 100%      |
| 67  | South America | Cerrejon Coal, Colombia              | Largest coal producer in Colombia                    | 33%       |

## Stainless Steel Materials

| Ref | Continent     | Site/Asset                     | Description  | Ownership |
|-----|---------------|--------------------------------|--|-----------|
| 68  | Africa        | Samancor Chrome, South Africa  | Integrated producer of chrome ores and ferrochrome comprising mines and chrome alloy plants at three major sites in South Africa | 60%       |
| 69  | Australia     | QNI Yabulu Refinery, Australia | The Yabulu refinery is one of the world's major laterite nickel-cobalt processing plants   | 100%      |
| 70  | South America | Cerro Matoso, Colombia         | Integrated ferro-nickel mining and smelting complex in north Colombia  | 99.8%     |

## Board of Directors



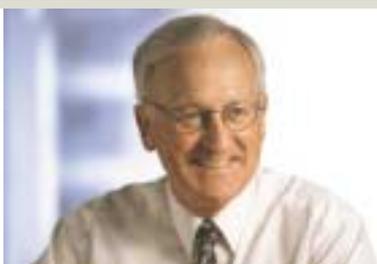
► Don Argus



► Charles Goodyear



► David Brink



► John Buchanan

### **Don Argus**

AO, FAIB, FCPA, FAICD, 65

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

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

### **Charles Goodyear**

BSc, MBA, FCPA, 45

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

A Director since November 2001. Appointed Chief Executive Officer of BHP Billiton Limited and BHP Billiton Plc in January 2003. A member of the Health, Safety & Environment Committee. Previously held positions of Chief Development Officer and Chief Financial Officer of BHP Billiton Limited and BHP Billiton Plc. Former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc.

### **David Brink**

MSc Engineering (Mining), DCom (hc), 64

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

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

### **John Buchanan**

BSc, MSc (Hons 1), PhD, 60

John Buchanan has had a wide international business career gained in large and complex international businesses. He brings to the Board experience in the petroleum industry and knowledge of the UK and international investment community. He has held various leadership roles in strategic, financial, operational and marketing positions, including executive experience in different countries.

A Director of BHP Billiton Limited and BHP Billiton Plc since February 2003. Chairman of the Remuneration Committee and a member of the Nomination Committee. The Senior Independent Director of BHP Billiton Plc. A Director of AstraZeneca Plc and Vodafone Group Plc. He is a former executive Director and Group Chief Financial Officer of BP Plc, Treasurer and Chief Executive of BP Finance, Chief Operating Officer of BP Chemical and was a member of the UK Accounting Standards Board from 1998 to 2001.



► *Michael Chaney*



► *David Crawford*



► *Cornelius Herkströter*



► *David Jenkins*

**Michael Chaney**

BSc, MBA, FAIM, FAICD, 53

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

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

**David Crawford**

BComm, LLB, FCA, FCPA, FAICD, 59

David Crawford has extensive experience in risk management and business reorganisation, having acted either as a consultant, scheme manager, receiver and manager or liquidator to very large and complex groups of companies.

A Director of BHP Limited since May 1994 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Risk Management & Audit Committee. Chairman of Lend Lease Corporation Limited and a Director of Foster's Group Limited, National Foods Limited and Westpac Banking Corporation. He is former Australian National Chairman of KPMG, Chartered Accountants.

**Cornelius Herkströter**

CA, 66

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

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

**David Jenkins**

BA, PhD (Geology), 64

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

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

## Board of Directors continued



► *Lord Renwick of Clifton*



► *Miklos Salamon*



► *John Schubert*



► *Karen Wood*  
*Company Secretary*

### **Lord Renwick of Clifton**

KCMG, MA, 65

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

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

### **Miklos Salamon**

BSc (Mining Engineering), MBA, 48

Mike Salamon is the Senior Minerals Executive of the BHP Billiton Group. Appointed an executive Director of BHP Billiton Limited and BHP Billiton Plc in February 2003. A member of the Health, Safety & Environment Committee. Senior Minerals Executive and President of the Aluminium Customer Sector Group. He is Chairman of Samancor and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. From July 1997 to June 2001 he was an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. Former Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.

### **John Schubert**

BC Eng, PhD (Chem Eng), FIEAust, FTSE, 60

John Schubert's contribution to the deliberations of the Board comes from his 23 years' experience in the oil industry where he also had mining and financial responsibilities. He has experience in mergers, acquisitions and divestments, project analysis and management. His contribution also comes from six years as Chief Executive Officer of Pioneer International Limited, which operated in the building materials industry in 16 countries.

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

### **Company Secretary**

#### **Karen Wood**

BEd, LLB(Hons), FCIS, 47

Karen Wood was appointed Company Secretary of BHP Billiton Limited and BHP Billiton Plc in June 2001. She is a member of the Takeovers Panel (Australia), the Business Regulatory Advisory Group (Australia) and the JD (Juris Doctor) Advisory Board of the University of Melbourne. She is a Fellow of the Institute of Chartered Secretaries and a member of the Law Council of Australia and the Law Institute of Victoria.

## Executive Committee

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► *Charles Goodyear*



► *Philip Aiken*



► *John Fast*



► *Ian Fraser*

### **Charles Goodyear**

BSc, MBA, FCPA, 45

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

Appointed Chief Executive Officer of BHP Billiton Limited and BHP Billiton Plc in January 2003. A Director since November 2001. A member of the Health, Safety & Environment Committee. Previously held positions of Chief Development Officer and Chief Financial Officer of BHP Billiton Limited and BHP Billiton Plc. Former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc.

### **Philip Aiken**

BE (Chemistry), Harvard Business School – Advanced Management Program, 54

Appointed President and Chief Executive Officer, Petroleum in October 1997. Former Director BTR Plc and former Managing Director BTR Nylex, following a long career at BOC Plc where his last role was Managing Director, Gases Europe. He is a Director of Robert Walters Plc and the Mt Eliza Business School and Chairman of the Sydney 2004 World Energy Congress Organising Committee.

### **John Fast**

BEC (Hons), LLB (Hons), ASIA, 53

Appointed Chief Legal Counsel in December 1999, and, in addition, was appointed Head of Asset Protection in July 2001 and Head of Government and Community Relations in January 2003. Former Senior Commercial Partner, Arnold Bloch Leibler. A Director of the Medical Research Foundation for Women and Babies (Australia). He is a member of the Strategic Advisory Board to the University of Melbourne Law School's Graduate Program, an Associate of the Securities Institute of Australia, a member of the Markets Policy Group of that Institute, and also a member of the Law Institute of Victoria.

### **Ian Fraser**

MA (Hons), MBA, C.Psychol, 42

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

## Executive Committee *continued*



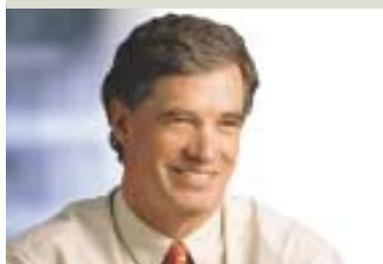
► *Robert Kirkby*



► *Marius Kloppers*



► *Chris Lynch*



► *Bradford Mills*



► *David Munro*



► *Mike Oppenheimer*

### **Robert Kirkby**

BE (Civil) (Hons), Harvard Business School – Advanced Management Program, 56

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

### **Marius Kloppers**

BE (Chem), MBA, PhD (Materials Science), 41

Appointed Chief Marketing Officer in June 2001. Previously Group Executive of Billiton Plc, Chief Executive of Samancor Manganese, and held various positions at Billiton Aluminium, among them Chief Operating Officer, and at Alusaf (a subsidiary of Billiton Plc) he was General Manager of Hillside Aluminium. His previous career was as a consultant with McKinsey Inc.

### **Chris Lynch**

BComm, MBA, FCPA, 49

Appointed Chief Financial Officer in September 2001. Former Chief Financial Officer of the Minerals Group of BHP Limited. Before joining BHP, he was Vice President and Chief Information Officer for Alcoa Inc and Chief Financial Officer, Alcoa Europe. He was also Managing Director KAAL Australia Ltd, a joint venture company formed by Alcoa Inc and Kobe Steel, and Corporate Accounting Manager at Alcoa of Australia.

### **Bradford (Brad) Mills**

BSc (Geology), MSc (Economic Geology), 48

Appointed President, Base Metals in June 2001. Previously held positions in BHP Limited of Vice President and Chief Strategic Officer, Vice President Strategy, Planning and Business Development, Executive Vice President and Group General Manager Growth and Technology (BHP Copper). He was also Executive Vice President of Magma Copper, Director Corporate Development of Echo Bay Management Company and Manager, United States Exploration, Echo Bay Exploration Inc. A Director ICA, ERBA Inc, and the Mills Foundation.

### **David Munro**

BSc (Mining Engineering), MBA, 48

Appointed Chief Development Officer in February 2003 being responsible for strategy, mergers and acquisitions, and business evaluation. He is a former executive Director of Billiton Plc. Previously held positions of Vice President Strategy and Business Development, executive Director Aluminium, Base Metals and Group Marketing, executive Director New Business and Trading, Gencor Ltd; Managing Director, Billiton International, and General Manager Manganese, Samancor Ltd.

### **Mike Oppenheimer**

BSc (Chem Eng), 49

Appointed President, Energy Coal in June 2001. Previously held positions in BHP Limited of President, BHP Coal, President North West Shelf and Gas Marketing, Vice President and General Manager North West Shelf, Vice President Marketing and Business Development Australia/Asia (BHP Petroleum). A Director of Richards Bay Coal Terminal, International Colombia Resources Corporation and World Coal Institute. A member of Coal Industry Advisory Board of the IEA.



► *Chris Pointon*



► *Marcus Randolph*



► *Miklos Salamon*

**Chris Pointon**

BE (Chemistry & Earth Sciences), PhD (Geology), 55

Appointed President, Stainless Steel Materials in June 2001. Previously Chief Executive Officer, Nickel and Chrome for Billiton Plc; Managing Director of QNI Ltd. He has over 20 years of global experience as a mining executive and has led Billiton Plc's nickel business since its formation in 1995.

**Marcus Randolph**

BSc (Mining Engineering), MBA, 47

Appointed President, Diamonds and Specialty Products in August 2002 with responsibility for the diamonds and titanium business, North American metals distribution and technology and minerals exploration across the Group. Previously Chief Strategic Officer and Chief Development Officer, BHP Minerals. His earlier career was as Chief Executive Officer of a Singapore-based gold and petroleum company. He also held senior positions with Rio Tinto Plc and Asarco Inc.

**Miklos (Mike) Salamon**

BSc (Mining Engineering), MBA, 48

Mike Salamon is the Senior Minerals Executive of the BHP Billiton Group. Appointed an executive Director of BHP Billiton Limited and BHP Billiton Plc in February 2003. A member of the Health, Safety & Environment Committee. Senior Minerals Executive and President of the Aluminium Customer Sector Group. He is Chairman of Samancor and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. From July 1997 to June 2001 he was an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. Former executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.

# Corporate Governance Statement

## Corporate Governance at a Glance

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This Statement sets out the key governance principles and practices of the BHP Billiton Group. Readers are directed to the Remuneration Report appearing on pages 46 to 62 which details the remuneration policies and practices of the Group.

Shareholders will be invited to consider and to approve the Remuneration Report at the annual general meetings in 2003.

BHP Billiton operates under a dual listed companies structure with primary listings in Australia and the UK. BHP Billiton Limited and BHP Billiton Plc are registrants of the Securities and Exchange Commission in the US. Secondary listings are maintained in a number of other jurisdictions.

During the past year, debate on appropriate levels of corporate governance has been energetically pursued in Australia, Europe and the US. New governance requirements have been introduced in all those jurisdictions. In formulating the governance principles that guide the operations of BHP Billiton, Directors have taken into account the various regulatory requirements, together with standards of best practice. Where governance principles vary across these jurisdictions, as they inevitably do, the Directors have resolved to adopt those principles that they consider to be the better of the prevailing standards.

## 1. Shareholders

The BHP Billiton Charter, a copy of which can be found on the BHP Billiton website at [www.bhpbilliton.com/bb/aboutUs/charter.jsp](http://www.bhpbilliton.com/bb/aboutUs/charter.jsp), states that the Group will be successful in creating value when shareholders realise a superior return on their investment. In pursuing this aim the Directors will undertake their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects the highest standards of governance.

The shareholders of BHP Billiton play a key role in the governance of the Group by electing Directors. At least one-third of the Directors retire each year, by rotation, and all are subject to re-election by shareholders. The Directors recognise that shareholders must receive high-quality, relevant and useful information in a timely manner to play their role effectively.

The Group ensures shareholders are kept informed through a variety of means:

- Shareholders can gain access to information about the Group, including the Annual Report and accounts, key policies and the terms of reference of its Board Committees, through the Group's website at [www.bhpbilliton.com](http://www.bhpbilliton.com).
- From time to time, briefings are conducted to promote a better understanding of the Group. Site visits are also arranged to give those who advise shareholders a better understanding of the Group's operating facilities. In conducting briefings, BHP Billiton takes care to ensure that any price-sensitive information is made available to all shareholders (institutional and private) and the market at the same time and in accordance with the requirements of the stock exchanges on which the Group is listed.

- Information is posted on the website as soon as it has been released to relevant stock exchanges. Any person wishing to receive advice by email of Group news releases can subscribe at [www.bhpbilliton.com](http://www.bhpbilliton.com).
- The principal direct communication with private investors is through the provision of the Annual Report and financial statements, the interim statements and the annual general meetings. Notices of the annual general meetings are mailed to shareholders at least 21 days in advance of the meetings. Shareholders are encouraged to attend and to use these meetings to ask questions on any matter. Shareholders are also encouraged to lodge questions or raise issues of concern in advance of the meetings in an effort to make better use of the limited time available. Questions can be lodged and issues raised by emailing the Group at: [investor.relations@bhpbilliton.com](mailto:investor.relations@bhpbilliton.com).

Shareholders may lodge their votes on items of business at general meetings electronically. The notices convening the meetings describe how this can be done.

Copies of the speeches delivered by the Chairman and Chief Executive Officer to the annual general meetings, a summary of the proceedings of the meetings and the outcome of voting on the items of business, are posted to the website following the meetings.

Shareholders are encouraged to make their views known to the Group and to directly raise any matters of concern. The Chairman keeps the Board advised of the views and/or concerns that have been raised.

## 2. Market Disclosure Policy

BHP Billiton has a Market Disclosure and Communications Policy, a copy of which is available on the Group's website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp). The purpose of the Policy is to outline BHP Billiton's processes for identifying information for disclosure. It aims to ensure that timely and accurate information is provided equally to all shareholders and market participants, to reinforce BHP Billiton's commitment to the continuous disclosure obligations imposed by law, and to describe the processes implemented to ensure compliance.

A Disclosure Committee has been established with responsibility for compliance with disclosure obligations. Details of the composition and role of that Committee are set out in the Policy.

## 3. Board of Directors – composition

### 3.1 Membership

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

The names of the Directors in office at the date of this Report, the year of appointment, their status as non-executive, independent or executive Directors, and whether they retire at the 2003 annual general meetings are set out in the table below. Biographical details for each of the Directors are set out on pages 28 to 30 of this Report.

### Directors in office at the date of this Report

| Director  | Appointed | Non-executive | Independent | Executive | Last elected   | Retiring in 2003 | Seeking election or re-election in 2003            |
|---|-----------|---------------|-------------|-----------|----------------|------------------|--|
| Don Argus (Chairman)                              | 1996      | Yes           | Yes         | No        | 2001           | No               | Not applicable                                     |
| David Brink                                       | 1997      | Yes           | Yes         | No        | 2000           | Yes              | Yes  |
| John Buchanan                                     | 2003      | Yes           | Yes         | No        | Not applicable | No               | Yes – submits himself for election by shareholders |
| Michael Chaney                                    | 1995      | Yes           | Yes         | No        | 2000           | Yes              | Yes  |
| David Crawford                                    | 1994      | Yes           | Yes         | No        | 2001           | No               | Not applicable                                     |
| Charles Goodyear (Chief Executive Officer)        | 2001      | No            | No          | Yes       | 2002           | No               | Not applicable                                     |
| Cornelius Herkströter                             | 1998      | Yes           | Yes         | No        | 2001           | Yes              | No   |
| David Jenkins                                     | 2000      | Yes           | Yes         | No        | 2002           | No               | Not applicable                                     |
| Lord Renwick                                      | 1997      | Yes           | Yes         | No        | 2000           | Yes              | Yes  |
| Miklos (Mike) Salamon (Senior Minerals Executive) | 2003      | No            | No          | Yes       | Not applicable | No               | Yes – submits himself for election by shareholders |
| John Schubert                                     | 2000      | Yes           | Yes         | No        | 2002           | No               | Not applicable                                     |

### 3.2 Independence

BHP Billiton has adopted a policy on directors' independence. The overriding principle contained in that policy is that a Director must be independent in character and judgement. A copy of the Policy can be found on the website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp).

The purpose of the policy is threefold:

- to specify the test that will be used by the Board to assess the independence of each Director
- to identify the information that will be collected from each Director to make that assessment, and
- to outline the disclosure to shareholders of the assessment, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of a Director.

The corporate governance principles in the jurisdictions in which BHP Billiton operates contain different tests of independence. The test adopted by BHP Billiton and set out in the Policy is whether a Director is independent of management and any business or other relationship with the BHP Billiton Group that could materially interfere with the exercise of objective, unfettered or independent judgement by the Director or the Director's ability to act in the best interests of the BHP Billiton Group. The policy outlines criteria used to apply the test. The application of those criteria to the Directors of BHP Billiton is outlined below and the determination of the Board as to independence is set out in the table above. All of the non-executive Directors are considered independent. The two executive Directors, Mr Charles Goodyear and Mr Miklos (Mike) Salamon are not considered independent. Neither of the executive Directors holds directorships in any other company listed in the FTSE 100 or ASX 100.

No non-executive Director:

- has ever been an employee of the Group and no family member of a non-executive Director has been an employee of the Group in the last five years
- is a substantial shareholder in any member of the BHP Billiton Group or an officer of, or otherwise associated with, a substantial shareholder (a 'substantial shareholder' is a shareholder who holds an interest in more than five per cent of the shares entitled to vote)
- represents shareholder groups or has significant financial or personal ties to the Group
- has, within the last five years, been a material supplier or customer of the Group or an officer or otherwise associated directly or indirectly with a material supplier or customer (a material customer is a customer who accounts for more than two per cent of BHP Billiton's gross revenue. A supplier is material if BHP Billiton accounts for more than two per cent of the supplier's revenue)
- has any material contractual relationship with the Group or a Group member other than as a Director

- participates in share, option or performance-based plans
- receives additional remuneration apart from approved Directors' fees (Details of remuneration paid to non-executive Directors are set out on pages 60 to 62 of the Remuneration Report)
- has close family ties with any of the Group's advisors, Directors or senior employees, or
- holds cross-directorships or has other significant links with fellow Directors through involvement in other companies or bodies.

The Board does not believe that any Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group. In reaching this conclusion, the Board specifically noted that in September 2003 Mr David Crawford will have served on the Board for nine years and concluded that, notwithstanding that period of service, he retains independence of character and judgement.

The former Directors of BHP Limited (Mr Don Argus, Mr Michael Chaney, Mr David Crawford, Dr David Jenkins and Dr John Schubert) participated in a retirement plan approved by shareholders in 1989 under which they were entitled to receive a payment on retirement calculated by reference to years of service. That plan was modified in 2001 to limit the benefits payable and to restrict membership to existing participants. In accordance with that decision, no new members were added. In 2003 the participants resolved to cease their participation as from the first of the 2003 annual general meetings (24 October), thereby closing the plan. Benefits that have accrued to 24 October 2003 will be held by the Company and paid on retirement. The Board approved the application of an earnings rate to those benefits fixed at the five-year Australian Government Bond Rate.

Mr David Crawford is the only non-executive Director who has, in the past five years, been a principal of a material professional advisor to the Group.

Mr Crawford is the former National Chairman of KPMG in Australia. KPMG was the joint auditor (with PricewaterhouseCoopers) of Billiton Plc. KPMG, PricewaterhouseCoopers and Ernst & Young (formerly Arthur Andersen) performed the audit of the Group for the 2002 financial year. In June 2002, the Board resolved to appoint KPMG and PricewaterhouseCoopers as joint auditors of BHP Billiton for the 2003 financial year. The Board considers Mr Crawford's financial acumen to be important to the discharge of the Board's responsibilities and accordingly that his membership of the Board and Chairmanship of the Risk Management and Audit Committee are appropriate. The Board does not consider his independence to be compromised for the following reasons:

- KPMG did not provide audit services for BHP Limited at any time while Mr Crawford was both a Director of BHP Limited and employed by KPMG

- Mr Crawford resigned as a partner and Australian National Chairman of KPMG on 28 June 2001, prior to the implementation of the merger
- Mr Crawford has had no financial arrangement with KPMG, including no pension arrangements, retainers, advisory fees or any direct or indirect business arrangements since his resignation, and
- Mr Crawford has never been part of the KPMG audit practice nor in any way involved in, or able to influence, any audit activity associated with Billiton Plc, BHP Limited or BHP Billiton. Mr Crawford abstained from voting both on the recommendation of the Risk Management and Audit Committee and from the approval by the Board in relation to the appointment of the auditors.

Some of the Directors of BHP Billiton hold executive or non-executive positions in companies with which BHP Billiton has commercial arrangements. Those positions are set out on page 156 of this Report. The Board has assessed all of those associations and concluded that in no case do those positions interfere with the Director's exercise of objective, unfettered or independent judgement or the Director's ability to act in the best interests of the BHP Billiton Group.

In all cases the commercial transactions were entered into in the usual course of BHP Billiton's business and approval given in accordance with the Group's requirements for the approval of capital expenditure or the entry into contractual arrangements. In no case was Board approval required and none of the transactions were material under the terms of the Policy. If Board approval was ever required for any transaction with a company in which a Director of BHP Billiton had an executive or non-executive position, the Director concerned would abstain from voting on the matter.

The only transactions in 2003 which amounted to related-party transactions with Director-related entities under Australian and UK generally accepted accounting principles, are the transactions between BHP Billiton and Wesfarmers Limited. The details of those transactions are set out in note 30 to the financial statements on page 156 of this Report.

### 3.3 Skills, knowledge and experience

The Board considers that, between them, the non-executive Directors bring the range of skills, knowledge and experience necessary to govern the Group, including international experience; understanding the economics of the sectors in which the Group operates; knowledge of world capital markets; and an understanding of the health, safety, environmental and community challenges that the Group faces. Details of the experience and expertise of the Directors are set out on pages 28 to 30 of this Report.

### 3.4 Chairman

The Chairman, Mr Don Argus, was, at the date of his appointment and continues to be, independent. He has been Chairman of BHP Limited since 1999 and of the Group since 2001.

The Chairman leads the Board. He has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to analyse and constructively critique the performance of management and the Group as a whole. The Chairman is responsible for representing the Board to shareholders.

Mr Argus is Chairman of Brambles Industries, a dual listed company that is listed on the Australian and London Stock Exchanges. The Board considers that neither his Chairmanship of Brambles, nor any of his other commitments (set out on page 28 of this Report), interfere with the discharge of his responsibilities to BHP Billiton. The Board is satisfied that he makes sufficient time available to effectively serve BHP Billiton.

The Group does not have a Deputy Chairman. The Board has, however, identified a non-executive Director to act as Chairman should the need arise at short notice. That Director is currently Dr John Schubert.

### 3.5 Senior Independent Director

The Board has appointed Dr John Buchanan as the Senior Independent Director of BHP Billiton Plc. Dr Buchanan is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive Officer or Chief Financial Officer.

### 3.6 Company Secretary

The Company Secretary is Ms Karen Wood. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with. She advises the Board on governance matters. All Directors have access to her advice and services.

### 3.7 Terms of appointment

The Board has settled a form of letter of appointment to be provided to candidates for appointment as Directors who are not executives of the Group. The standard terms of the letter are available from the website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp). The Directors are bound by the BHP Billiton Guide to Business Conduct, a description of which is set out in section 10. The Guide is published on the website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp).

### 3.8 Induction and training

New Directors are provided with an induction program specifically tailored to the needs of individual appointees. That program includes meetings with major shareholders, one-on-one meetings with members of management and visits to key assets. Directors agree to participate in continuous improvement programs from time to time, as considered appropriate.

### 3.9 Remuneration

Details of remuneration paid to the Directors (executive and non-executive) are set out in the Remuneration Report on pages 46 to 62 of this Report.

### 3.10 Share ownership and dealing

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

Details of the shares held by Directors are set out on page 65 of this Report.

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

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

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

The BHP Billiton Securities Dealing Policy can be viewed on the website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp).

### 3.11 Directors' performance appraisal

The Board believes that progressive organisations appreciate the challenge of operating in today's business environment and particularly the requirement for more transparency in determining Board membership and assessing the performance of Directors. The adoption of contemporary performance measures for Directors is considered an important part of this process.

The Board considers it inappropriate for a Director to offer him or herself for re-election unless a performance appraisal has been undertaken.

A review of Board performance was conducted during the first half of 2003. The aim was to undertake an objective assessment of the performance of the Board as a whole. An independent consultant facilitated the review. In so doing, interviews were conducted with each Director and members of senior management. A report setting out a summary of the feedback from interviews, discussion of issues and suggestions for change in future practice was tabled and considered by the Board at its

meeting in June 2003. The report outlined feedback on the role of the Board, the people, procedures, practices and behaviours. It concluded that the Board did not have any serious issues to address, but made suggestions about how some procedures might be improved. In addition to the assessment of the performance of the Board as a whole, the Nomination Committee oversaw a review of the performance of each of the Directors retiring at the 2003 annual general meetings. The process is discussed at section 3.12 below.

When the Chairman's performance is due for review, the Board as a whole will undertake that review, in the absence of the Chairman, and led by a Director nominated by the Board.

### 3.12 Directors' retirement and re-election

At least one-third of the members of the Board retire at each annual general meeting. They are not appointed for a fixed term but must submit themselves to shareholders for re-election after three years. The period for which Directors have served on the Board and the year in which they were last elected are set out in the table in section 3.1. Re-appointment is not automatic, and follows a formal process. Prior to re-nomination, the Nomination Committee conducts an assessment of the performance of each retiring Director. Where a Director's performance is not considered satisfactory, the Board will not endorse that re-nomination. In conducting that assessment, the Nomination Committee reviews the skills, knowledge, experience and diversity represented on the Board and takes the findings of that review into account when considering the composition going forward. The reasons why the Board supports re-election are set out in the notices convening the annual general meetings.

Shareholders are required to elect, at the next annual general meeting, any Director appointed to fill a casual vacancy. At the 2003 annual general meetings, shareholders will be asked to elect Dr John Buchanan who was appointed on 1 February 2003 and Mr Miklos (Mike) Salamon who was appointed on 24 February 2003.

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

### 3.13 Board succession planning

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

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

The Board engages the services of an independent recruitment organisation to undertake a search for suitable candidates. More detail about the process used to recruit non-executive Directors is set out in section 6.3 below.

#### **4. Board of Directors – role**

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

The Board has a schedule of matters specifically reserved to it for decision. This schedule includes the adoption of the strategic direction of the Group, the appointment of key senior executives, approval of accounts, approval of the business plan, budget, and financial policies, review of operating results, risk management strategy, ensuring the effectiveness of governance practices, succession planning and significant capital expenditure.

The Board has delegated responsibility for the management of the Group, through the Chief Executive Officer, to executive management. There is a clear division between the responsibilities of the Board and management. The roles of Chairman and Chief Executive Officer are not combined. The Chief Executive Officer is accountable to the Board for all authority delegated to executive management. The Board has also delegated some of its responsibilities to Committees of the Board. These delegations are supported by appropriate controls, which are documented in a framework approved by the Board and available to all employees.

With the consent of the Chairman, individual Directors may seek independent professional advice, at the expense of the Group, on any matter connected with the discharge of their responsibilities. No Director availed himself of this right during the course of the year.

#### **5. Board of Directors – meetings**

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The Board met nine times during the year. Generally, meetings run for two days. Six of those meetings were held in Australia and three in the United Kingdom.

Details of Directors' attendance at those meetings are set out on page 65 of this Report. The Chairman sets the agenda for each meeting in consultation with the Chief Executive Officer and the Company Secretary. Any Director may have any matter added to the agenda.

The Board meets regularly in the absence of executive Directors and other executives (save for the Company Secretary).

Members of senior management attend meetings of the Board by invitation.

Copies of Board papers are circulated in advance of meetings to Directors in either electronic or hard copy form. Directors may have any matters of concern recorded in the Board minutes.

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

Directors are encouraged to participate in debate and to bring independent judgement to bear on matters being considered. The Board recognises that constructive differences of opinion

lead to more robust evaluation of the issues and, ultimately, better outcomes.

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

The Group has in place a policy, which insures Directors against certain liabilities (including legal costs) they may incur in carrying out their duties on behalf of the Group.

#### **6. Committees of the Board**

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

Each of the permanent Committees has terms of reference (or Charters) under which authority is delegated to them from the Board. The terms of reference for each Committee can be viewed on the Group's website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp).

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

Committee meeting agendas, papers and minutes are made available to all members of the Board. Committee Chairmen are free to use whatever resources they consider necessary to discharge their responsibilities.

The number of Committee meetings held during the year, and the attendance at those meetings by members is set out on page 65 of this Report.

With the exception of the HSE Committee, all Committee members are independent non-executive Directors. Executive Directors Mr Charles Goodyear and Mr Miklos (Mike) Salamon, and the Vice President, Health, Safety and Environment, Mr Colin Bloomfield, are the members of the HSE Committee. External experts also sit as members of this Committee.

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

##### **6.1 Risk Management and Audit Committee**

###### **6.1.1 Role**

The role of the Risk Management and Audit Committee is to assist the Board in relation to the reporting of financial information. This involves the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. The Committee's responsibilities include:

- recommending to the Board the appointment and dismissal of the external auditors and setting the appropriate fees
- evaluating the performance of the external auditors, including their independence and objectivity

- ensuring it is clear that the external auditors are responsible to the Committee and the Board as representatives of the shareholders
- reviewing and approving the external audit plan, including identified risk areas
- ensuring compliance with the Group's policy on non-audit services
- overseeing the appointment and removal of the Vice President, Risk Assessment and Assurance (who is responsible for the Group's risk management, internal audit and insurance activities), and
- evaluating the performance of the Vice President, Risk Assessment and Assurance including his or her independence and objectivity.

Responsibilities relating to financial reporting are set out in section 8.1, and to risk management and internal control in section 8.3 of this Report.

### **6.1.2 Composition**

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

The members of the Committee are Mr David Crawford (Chairman), Mr Cornelius Herkströter, Dr David Brink and Dr David Jenkins. Biographical information on each of the members of the Committee is set out on pages 28 and 29 of this Report.

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

To assist in discharging its responsibilities, the Group Risk Management and Audit Committee receives reports from separate Risk Management and Audit Committees that have been established for each of the Customer Sector Groups and key functional areas. Committees have been established for the Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Diamonds and Specialty Products, Energy Coal and Stainless Steel Materials Customer Sector Groups and for the Corporate Centre, Marketing, Shared Services Centres and Treasury functions. A member of the Group Risk Management and Audit Committee chairs each of these Committees.

These Committees perform an important monitoring function in the overall governance of the Group, but have no statutory responsibility in terms of reporting. This responsibility for reporting rests with the Group Risk Management and Audit Committee and the Board.

## **6.2 Health, Safety and Environment (HSE) Committee**

### **6.2.1 Role**

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

The Committee's responsibilities include:

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

### **6.2.2 Composition**

Dr David Brink, a non-executive Director, chairs the HSE Committee. Executive Directors Mr Charles Goodyear and Mr Miklos (Mike) Salamon, and Mr Colin Bloomfield, the Group Vice President, Health, Safety and Environment are members of this Committee. The other members of the Committee are all external experts in the fields of health, safety, environment or community. They are Professor Jimmy Perkins, Dr David Slater, Mr Edwin Spence and Mr Ben Alberts (who was, until June 2002, an independent non-executive Director of BHP Billiton).

## **6.3 Nomination Committee**

### **6.3.1 Role**

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

- assessing the skills, knowledge, experience and diversity required on the Board and the extent to which each are represented
- establishing processes for the review of the performance of individual Directors and the Board as a whole
- establishing processes for the identification of suitable candidates for appointment to the Board, and
- overseeing succession planning for the Board.

The Committee conducts a review of the skills, knowledge, experience and diversity currently represented when considering new appointments to the Board. The Committee then oversees the preparation of a position specification. In addition to the specific skills, knowledge and experience deemed necessary for

candidates, that specification contains objective criteria such as a proven track record of creating value for shareholders; unquestioned integrity and a commitment to the highest standards of governance; the time available to devote to the job; a clear grasp of strategic thinking; an awareness of market leadership; outstanding monitoring skills; a preparedness to question, challenge and critique; and an independent point of view. That specification is provided to an independent recruitment organisation, which reports to the Nomination Committee, for the conduct of a global search. To date the Group has not advertised for non-executive Directors. The specific processes adopted by the Group in relation to performance appraisal and succession planning are set out in sections 3.11 and 3.13 above.

### **6.3.2 Composition**

The Nomination Committee is chaired by the Group Chairman and is composed entirely of independent non-executive Directors.

In addition to the Chairman, the members of the Committee are Lord Renwick, Dr John Schubert and the Senior Independent Director, Dr John Buchanan.

## **6.4 Remuneration Committee**

### **6.4.1 Role**

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

- determining executive remuneration policy
- determining the remuneration of executive Directors
- reviewing and approving the remuneration of direct reports to the Chief Executive Officer and other senior executives, and
- reviewing and approving all equity-based plans.

The Committee oversees the preparation of the Remuneration Report which appears on pages 46 to 62 of this Report.

### **6.4.2 Composition**

The Remuneration Committee is composed entirely of independent non-executive Directors and is chaired by Dr John Buchanan.

The other members of the Committee are Dr David Jenkins, Lord Renwick and Dr John Schubert.

The Committee seeks advice and guidance from the Chairman, the Chief Executive Officer and the Group Vice President, Human Resources, as it considers appropriate. From time to time, it seeks advice from independent experts. Non-Committee members attend Committee meetings only by invitation.

## **7. Management Committees**

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A number of changes to the management committee structure were announced on 24 February 2003. These included a change in the responsibilities of the Executive Committee and the creation of the Office of the Chief Executive and the Operating Committee.

### **7.1 The Executive Committee**

The Executive Committee is responsible for the review of corporate and Customer Sector Group strategies; approval of the Customer Sector Group budgets and forecasts; Health, Safety, Environment and Community standards; Group Human Resources

strategy and rewards; and internal communications. The Committee is chaired by the Chief Executive Officer, Mr Charles Goodyear. The other members of the Committee are Mr Philip Aiken, Mr John Fast, Mr Ian Fraser, Mr Robert Kirkby, Mr Marius Kloppers, Mr Chris Lynch, Mr Brad Mills, Mr David Munro, Mr Mike Oppenheimer, Mr Chris Pointon, Mr Marcus Randolph and Mr Mike Salamon. The Company Secretary, Ms Karen Wood, acts as secretary to the Committee. Biographical information on each member of the Executive Committee is set out on pages 31 to 33 of this Report.

### **7.2 The Office of the Chief Executive**

The Office of the Chief Executive is responsible for the significant corporate strategic issues including capital allocation and overall performance management. Its members are Mr Charles Goodyear (who chairs the Committee), Mr Philip Aiken, Mr John Fast, Mr Marius Kloppers, Mr Chris Lynch, Mr David Munro and Mr Mike Salamon. The Company Secretary, Ms Karen Wood, acts as secretary to the Committee. The Committee has two principal functions – to make recommendations to the Board in respect of certain matters on which the Board must make decisions, and to exercise the authority delegated to it by the Board under the terms of the Approvals Framework. That authority includes the approval of capital projects between US\$50 and US\$100 million.

Minutes of meetings of the Committee are circulated to Board members.

### **7.3 The Operating Committee**

The Operating Committee is chaired by the Senior Minerals Executive, Mr Mike Salamon. The other members of the Committee are Mr Philip Aiken, Mr Ian Fraser, Mr Robert Kirkby, Mr Chris Lynch, Mr Marius Kloppers, Mr Bradford Mills, Mr Mike Oppenheimer, Mr Chris Pointon and Mr Marcus Randolph. The Vice President, Operating Excellence, Mr Mike Anglin, acts as a secretary to the Committee. The Operating Committee is responsible for guiding the Group's strategies in regard to continuous improvement (operating excellence and knowledge-sharing networks), supply, minerals exploration, technology, project development services and operations talent management.

### **7.4 Financial Risk Management Committee**

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

The Chief Financial Officer, Mr Chris Lynch, chairs the Financial Risk Management Committee. The other members of the Committee are Mr Charles Goodyear, Mr David Munro, Mr Marius Kloppers, Group Treasurer Mr Willie Murray and Vice President Risk Assessment and Assurance Mr Stefano Giorgini. The Company Secretary, Ms Karen Wood, acts as secretary to the Committee.

### 7.5 Investment Risk Committee

Formerly known as the Investment Review Committee, this Committee oversees the management approval processes for major investments. Those processes are designed to ensure that:

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

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

The Chief Financial Officer, Mr Chris Lynch, chairs the Committee. The other members of the Committee are Mr John Fast, Mr Marius Kloppers, Mr David Munro and Mr Graeme Devlin, Vice President, Business Evaluation and Economics.

## 8. Accountability and audit

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### 8.1 Financial reporting

The Dual Listed Companies structure under which BHP Billiton operates requires the Group to comply with the corporate regulations of Australia and the United Kingdom. As registrants of the Securities and Exchange Commission in the US, BHP Billiton Limited and BHP Billiton PLC must also comply with the regulatory regime of that country in so far as it applies to foreign companies.

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

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. This assessment is provided in the Chairman's Review, the Chief Executive Officer's Report, the Review of Operations and in the various Customer Sector Group reports contained in this Report. An explanation of the responsibilities of the Directors in the preparation of the financial statements is set out on page 71. The Directors set out on page 67 their view that the business is a going concern.

The Risk Management and Audit Committee reviews the quarterly, half yearly and annual financial statements and makes recommendations to the Board focusing on accounting policies, judgemental areas, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit. The role of the Committee in the preparation and reporting of the financial information of the Group is set out on page 39 of this Report.

### 8.2 External audit

In June 2002, the Board approved the appointment of KPMG and PricewaterhouseCoopers as joint auditors for the 2003 financial year. The Risk Management and Audit Committee conducted a tender for audit services and made recommendations to the Board on the appointment of auditors. Those recommendations were adopted.

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

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

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

Those reviews include:

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

The Group audit engagement partners will rotate every five years, subject to the transitional provisions provided in the UK and US regulations in this area and which are effective 30 June 2004.

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

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

A copy of the Policy can be viewed on the website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp).

The external auditors are permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence. A list of these types of services is contained in the policy. All services that fall into this category where fees are in excess of US\$100 000, must be approved by the Committee. Activities that may be perceived to be in conflict with the role of the external auditor must be submitted to the Committee for approval prior to engagement, regardless of the dollar value involved. All assignments are reported to the Committee.

Details of the amounts paid to the auditors during the year for audit and other services are set out in the notes to the financial statements on page 100 of this Report.

### **8.3 Internal control**

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

The principal aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Group's specific needs and the risks to which it is exposed. The role of the Risk Management and Audit Committee in assessing the internal control measures is set out in sections 6.1.1 and 8.3.3.

#### **8.3.1 Assessment of business risk**

The Group operates an Enterprise-Wide Risk Management System, which was initially implemented at the time of the merger and continues to be developed at all operations. This System forms the cornerstone of the risk management activities of the Group. Its aim is to provide the Risk Management and Audit Committee with the assurance that the major risks facing the Group have been identified and assessed, and that there are controls either in place or planned for these risks. Risk management 'champions' have been appointed and trained. These 'champions' are employees who work at all levels in the Group. They provide a focal point for risk management activities and act as custodians of the local risk management plan. Validation of risk controls is conducted by a process of control self-assessment. Independent validation is undertaken by Internal Audit.

During the year, the Office of the Chief Executive and the Executive Committee conducted a strategic risk assessment to consider high-level Group business risks. Strategic risks and opportunities arising from changes in the Group's business environment were also regularly reviewed by the Office of the Chief Executive and the Executive Committee, and discussed by the Board.

#### **8.3.2 Monitoring process**

Directors monitor risks and controls through the Risk Management and Audit Committee, the Health, Safety and Environment Committee and Internal Audit.

#### **8.3.3 Risk Management and Audit Committee**

The composition, role and function of the Risk Management and Audit Committee are set out in section 6.1 of this Report.

The terms of reference of the Risk Management and Audit Committee (a copy of which is available on the website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp)) include responsibility for the review of internal control systems, including the procedure for identifying business risks and controlling their financial impact on the Group; the budgeting, forecasting and financial reporting systems and controls; the operational effectiveness of the policies and procedures related to risk and control; whether the Turnbull Guidance has been followed; and approving policies for preventing and detecting fraud.

The Committee is assisted in its task by the work of Risk Management and Audit Committees established for each of the Customer Sector Groups and key functional areas, details of which are set out in section 6.1 above. These Committees receive regular reports on the relevant risk profiles and the actions taken by management to more effectively manage risk.

Each half year, the President and Chief Financial Officers of each Customer Sector Group and each of the Corporate, Marketing, Shared Services and Treasury functions are required to review internal controls and to provide formal representations to the Group Centre and their Risk Management and Audit Committee, assuring compliance with Group policies and procedures and confirming the adequacy of internal control systems. These representations are provided to the Group Risk Management and Audit Committee.

#### **8.3.4 Internal audit**

BHP Billiton has an internal audit function, which is independent of the Group's external auditors. The Group Risk Management and Audit Committee reviews the mission and charter of Internal Audit, ensures that it is appropriately staffed and that its scope of work is adequate in the light of the key risks facing the Group and the other monitoring functions in place. The Risk Management and Audit Committee for each Customer Sector Group and function approves an annual internal audit plan for that part of the Group for which it has responsibility. These plans are reviewed and approved by the Group Risk Management and Audit Committee.

That Committee also approves the appointment and dismissal of the Vice President, Risk Assessment and Assurance (the head of the Internal Audit function) and assesses his or her independence and objectivity. The Vice President, Risk Assessment and Assurance has unfettered access to management and the Group Risk Management and Audit Committee.

The role of Internal Audit, as approved by the Group Risk Management and Audit Committee, is to:

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

Internal Audit has developed a risk-based methodology, which focuses on compliance reviews at the asset and function levels, risk audits at the Customer Sector Group level, and ad hoc management requests. This methodology is integrated with – and takes into account – the risk profiles established by the Enterprise-Wide Risk Management System, providing an effective control mechanism.

A comprehensive activity report is presented by Internal Audit to the Group Risk Management and Audit Committee at each scheduled meeting, identifying any significant risk and compliance issues, as well as management action plans to address these and progress made on previously reported issues.

In addition, the Group's internal controls are supported by the activities of the Financial Risk Management Committee and the Investment Risk Committee.

### **8.3.5 Review of effectiveness**

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

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

## **9. Corporate social responsibility**

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BHP Billiton is committed to sustainable development. Health, safety, environment and community responsibilities are integral to the way in which the Group conducts its business. A Health, Safety, Environment and Community Report is published each year. The Report identifies BHP Billiton's HSEC targets and measures its performance against those targets. The Report is published at the same time as the Annual Report. A copy can be reviewed on the website at [www.bhpbilliton.com/bb/sustainableDevelopment/reportsAndPolicies.jsp](http://www.bhpbilliton.com/bb/sustainableDevelopment/reportsAndPolicies.jsp) or obtained by telephoning Australia (61 3) 9609 3062 or UK (44 20) 7802 4177.

BHP Billiton is a member of the Dow Jones Sustainability World Indexes (DJSI World), the Dow Jones STOXX Sustainability Indexes (DJSI STOXX) and the FTSE4Good Global Index for 2003/04.

## **10. Business conduct and the Charter**

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The BHP Billiton Guide to Business Conduct reflects the Charter values of integrity, respect, trust and openness. The Guide provides clear directions and advice on conducting business internationally; interacting with governments, communities and business partners; and general workplace behaviour. It states BHP Billiton's position on a wide range of ethical and legal issues including conflicts of interest, financial inducements, bribery, insider trading and political contributions. Managers and supervisors are held accountable not only for their own business but also that of their staff. The approach to business conduct reflects the Charter, which itself recognises that lasting success is built on each employee taking responsibility, achieving high performance, delivering on commitments and earning trust. The Guide applies to all employees, regardless of their job or location. Consultants, contractors and business partners are also expected to act in accordance with the Guide. Further details can be found at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp).

BHP Billiton has established regional helplines as a means by which employees can seek guidance on how to make decisions about which they feel confident and comfortable. The helplines also afford employees an opportunity to express issues of concern. Employees are encouraged to use the helplines to solve work-related ethical dilemmas as well as to report policy violations. Reports can be made anonymously. A Fraud Hotline facility is available for reporting cases of suspected misappropriations, fraud, bribery or corruption. Arrangements are in place for investigation of such matters. Where appropriate, this investigation is conducted independently.

The Guide to Business Conduct is available in eight languages. Internal performance requirements regarding business conduct have been established under the Health, Safety, Environment and Community Management Standards. The Company's HSEC audit program tests the availability of the Guide in the workplace, and the extent to which the business conduct principles have been communicated to employees and contractors.

## **11. Political contributions**

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

## **12. Compliance**

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BHP Billiton's compliance with the governance requirements in each of the jurisdictions in which it operates are described in this Annual Report including the Corporate Governance Statement, the Remuneration Report, the Directors' Report and the financial statements.

The Listing Rules of the UK Listing Authority require UK-listed companies to report on the extent to which they comply with the Principles of Good Governance and Code of Best Practice, which are contained in the Combined Code. BHP Billiton has complied with the Principles and the Code throughout the year.

In July 2003 the Financial Reporting Council in the UK released a revised Code that will come into effect for reporting years beginning on or after 1 November 2003. BHP Billiton has reviewed the provisions of that revised Code and is satisfied that it complies with those provisions in all material respects.

In March 2003 the Australian Stock Exchange Corporate Governance Council published Principles of Good Governance and Best Practice Recommendations. The Listing Rules of the Australian Stock Exchange require Australian-listed companies to report on the extent to which they comply with the Best Practice recommendations. These requirements take effect for reporting periods ending on or after 30 June 2004. BHP Billiton complies with the recommendations in all but one respect. The only recommendation with which BHP Billiton does not currently comply is that it has not formally conducted performance reviews of Board Committees. Reviews are conducted for the Board as a whole, individual Directors and key executives. These review processes will be extended to Board Committees in this next year.

A checklist summarising BHP Billiton's compliance with the UK Combined Code (including the revised version) and the Best Practice recommendations published by the ASX Corporate Governance Council has been posted to the website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp).

BHP Billiton Limited and BHP Billiton Plc are registrants of the Securities and Exchange Commission in the US. Both companies are classified as foreign private issuers. Both companies have American Depositary Receipts listed on the New York Stock Exchange.

BHP Billiton has reviewed the governance requirements currently applicable to foreign private issuers under the Sarbanes-Oxley Act (US) including the rules promulgated by the Securities and Exchange Commission and the rules of the New York Stock Exchange and is satisfied that it complies with those requirements in all material respects.

There are no significant differences between the governance practices adopted by BHP Billiton and the currently applicable requirements of the Sarbanes-Oxley Act, the Securities and Exchange Commission and the New York Stock Exchange.

While the Board of BHP Billiton is satisfied with its level of compliance with the new governance requirements in each of these jurisdictions, it recognises that practices and procedures can always be improved, and that there is merit in continuously reviewing its own standards against those in a variety of jurisdictions. The Board has had a program of review underway since the first of these governance reforms was announced. That program will continue throughout the year ahead.

# Remuneration Report

## Remuneration Report at a Glance

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**Only the information contained in sections 4 to 9 of this Remuneration Report (other than that relating to the contracts of employment of the executive Directors set out in section 4) has been subject to audit.**

## Glossary of Terms

**A number of abbreviations are used throughout this Report. To assist readers, the key abbreviations used are set out below.**

|                          |   |
|--------------------------|---|
| <b>Board</b>             | The Boards of Directors of BHP Billiton Limited and BHP Billiton Plc  |
| <b>CIP 2001</b>          | Co-Investment Plan 2001   |
| <b>Committee</b>         | The Remuneration Committee of BHP Billiton Limited and BHP Billiton Plc   |
| <b>Deferred Share</b>    | An option or a conditional right to acquire a share issued under the rules of the Group Incentive Scheme                                  |
| <b>EBIT</b>              | Earnings Before Interest and Tax  |
| <b>EPS</b>               | Earnings Per Share  |
| <b>ESP 2000</b>          | Employee Share Plan 2000  |
| <b>Group</b>             | BHP Billiton Limited, BHP Billiton Plc and their subsidiaries   |
| <b>GIS</b>               | Group Incentive Scheme  |
| <b>KPI</b>               | Key Performance Indicator   |
| <b>MTI 2001</b>          | Medium Term Incentive Offer 2001  |
| <b>Option</b>            | A right to acquire a share on payment of the exercise price issued under the rules of the Group Incentive Scheme                          |
| <b>Performance Share</b> | An option or a conditional right to acquire a share, subject to performance hurdles, issued under the rules of the Group Incentive Scheme |
| <b>PSP 2000</b>          | Performance Share Plan 2000   |
| <b>PSP 2001</b>          | Performance Share Plan 2001   |
| <b>RSS 2001</b>          | Restricted Share Scheme 2001  |
| <b>Share</b>             | Fully paid Ordinary Share in the capital of BHP Billiton Limited or BHP Billiton Plc  |
| <b>TSR</b>               | Total Shareholder Return  |

## 1. Remuneration Committee

### 1.1 Role

The Remuneration Committee (the Committee) operates under the delegated authority of the Boards of BHP Billiton Plc and BHP Billiton Limited (hereafter referred to collectively as the Board) to provide support and advice on executive remuneration policy, to make recommendations to the Board on the remuneration of each executive Director, to set the remuneration for those who report directly to the Chief Executive Officer, and to review and approve equity-based incentive plans.

The activities of the Committee are governed by terms of reference, a copy of which is available on the BHP Billiton website at [www.bhpbilliton.com/bb/aboutUs/governance.jsp](http://www.bhpbilliton.com/bb/aboutUs/governance.jsp).

The Committee is committed to the principles of accountability, transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance.

## 1.2 Membership

All of the members of the Committee are non-executive Directors. At the date of this Report the members are Dr John Buchanan (Chairman), Dr David Jenkins, Lord Renwick and Dr John Schubert.

Mr John Jackson retired as Chairman of the Committee following the annual general meetings held on 4 November 2002. Mr John Ralph also retired from the Committee following the annual general meetings.

Dr David Jenkins joined the Committee on 28 November 2002 and Dr John Buchanan on 1 February 2003. Dr Buchanan was appointed Chairman with effect from 20 March 2003.

The Company Secretary, Ms Karen Wood, acts as secretary to the Committee.

## 1.3 Meetings

The Committee met eight times during the year. The Directors' attendance at Committee meetings held during the period of their membership is set out in the table on page 65 of this Report.

## 1.4 Advisors

Throughout the year, the Committee has taken advice from the Group Chairman, Mr Don Argus, the Chief Executive Officer, Mr Charles Goodyear, and the Group Vice President Human Resources, Mr Ian Fraser. None of these people were present when matters associated with their own remuneration were considered.

Group Human Resources has made use of the services of external advisors from time to time on matters relating to remuneration. Information relevant to matters being considered by the Committee has been made available to the Committee. The Committee did not directly retain any advisors.

The table below lists those advisors who have been retained on behalf of the Group throughout the year. Where services have been provided by Group auditors, those services have been provided pursuant to the policy relating to the provision of non-audit services, a copy of which is available on the BHP Billiton

website at [www.bhpbilliton.com/bbContentRepository/AboutUs/Governance/OtherServicesPolicy.pdf](http://www.bhpbilliton.com/bbContentRepository/AboutUs/Governance/OtherServicesPolicy.pdf). Details of the auditors' costs associated with those services are set out in note 7 to the financial statements on page 100 of this Report.

## 2. Remuneration policy

The Committee recognises that the Group operates in a global environment and that its performance depends on the quality of its people. To prosper, the Group must be able to attract, motivate and retain highly skilled executives willing to work around the world.

The key principles that underpin Group remuneration policy are:

- competitive rewards are provided to attract and retain executive talent on a global basis
- demanding key performance indicators apply to delivering results across the Group and are applied to a significant portion of the total reward
- rewards to executives are linked to the creation of value to shareholders
- the criteria used to assess and reward executives include financial and non-financial measures of performance
- remuneration arrangements should ensure equity between executives and should facilitate the deployment of human resources around the Group, and
- severance payments due to executives on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

The remuneration policy assists the Group to achieve its business strategy and objectives. The Committee recognises that, while remuneration is a key factor in recruiting the right people, it is not the only factor. The Group's values, and its ability to provide interesting and challenging career opportunities, also play an important part.

| Advisor                | Services provided to Group Human Resources                                       | Other services provided to BHP Billiton  |
|------------------------|--|--|
| Hay Group              | Job evaluations<br>Remuneration data   |  |
| PricewaterhouseCoopers | Remuneration benchmarking<br>Long-term incentive plan<br>performance measurement | Audit, accounting advice, taxation and other services as disclosed in note 7 to the financial statements |
| Deloitte & Touche      | Long-term incentive plan<br>performance measurement                              | Remuneration data  |
| KPMG                   | Tax compliance and preparation services  | Audit, accounting advice, taxation and other services as disclosed in note 7 to the financial statements |
| Towers Perrin          | Remuneration data<br>Actuarial calculations                                      | Superannuation fund administration   |
| Hewitt Bacon & Woodrow | Retirement benefits advice<br>Actuarial advice                                   |  |
| Ernst & Young          | Tax compliance and preparation services<br>Design of Retirement Savings Program  | Administration services relating to legacy BHP Billiton international assignees                          |

### 3. Remuneration structure

Since the merger, significant progress has been made to align the contract terms, remuneration and benefits for executives. While legacy differences remain, resulting in discrepancies in the contract terms and remuneration of executives, the policy is that whenever opportunities arise, the Group will update service contracts to reflect current best practice and to standardise terms of employment for employees at comparable levels across the Group.

It is the Group's policy that service contracts for senior executives, including the Chief Executive Officer, be unlimited in term but capable of termination on 12 months' notice and that the Group retain the right to terminate the contract immediately, by making a payment equal to 12 months' pay in lieu of notice.

Some executives (but not the Chief Executive Officer) have existing service contracts that contain notice periods that exceed 12 months. The Committee will limit notice periods to 12 months in all future contracts for executives, unless exceptional circumstances exist.

The BHP Billiton remuneration structure contains three components:

- (1) base salary and benefits (where applicable)
- (2) retirement benefits
- (3) short and long-term incentive arrangements.

The cost and value of these components are considered as a whole. They are designed to ensure that the right balance is struck between fixed and variable remuneration. Variable remuneration is remuneration that is tied to performance, and therefore is at risk. BHP Billiton's remuneration policy is to pay at the median level of remuneration for target performance and at the upper quartile level for exceptional performance.

Details of each component are set out below.

#### 3.1 Base salary and benefits

Base salaries are quantified by reference to the scope and nature of the role and an individual's performance and experience. Market data is used to benchmark salary levels off a single global scale, adjusted for local conditions. Particular consideration is given to competitive global remuneration levels.

In addition to base salary, selected executives receive benefits including health insurance, relocation costs, life assurance, car allowances and tax advisory services. All benefits received by the executive Directors and the five executive officers for whom remuneration is reported are outlined in sections 4 and 6 of this Report.

#### 3.2 Retirement benefits

A range of retirement and death-in-service benefits operate within the Group. Those benefits reflect the different statutory entitlements in the jurisdictions in which BHP Billiton operates, local market practice and the manner in which this was applied by BHP Limited and Billiton Plc prior to the merger. Where possible, benefits have been standardised following the merger, although a number of legacy positions remain, particularly in

relation to the type of pension or superannuation schemes available. In some instances this has given rise to a discrepancy in entitlements between executives at similar levels. The Committee has taken steps to address those discrepancies since the merger and has made considerable progress. Some of those discrepancies will, however, continue while the affected employees remain in service.

Some retirement benefits are to be delivered under defined benefit plans. The Committee considers that these types of plans could place an unreasonable financial burden on the Group. For this reason, the Committee has resolved that no new members will be admitted to the remaining defined benefit plans, save in exceptional circumstances. The Committee recognises that it cannot move to close the remaining plans while those plans have current employees as members.

Details on the retirement benefits applicable to the current executive Directors and to the executives for whom remuneration information is reported are set out on pages 55, 57 and 60 of this Report.

#### 3.3 Short and long-term incentives

Long and short-term incentive arrangements are determined under the Group Incentive Scheme (GIS). The GIS was approved by shareholders in November 2002 and is an integral part of BHP Billiton's approach to competitive performance-based remuneration. The GIS is designed to drive sustainable, transparent performance in the long term and reflects the Group's commitment to crucial operational targets.

The GIS represents the variable component of remuneration and rewards executives for meeting or exceeding key performance indicators that are set each year and aligned to BHP Billiton's strategic framework. The percentage of total remuneration that is variable differs according to the level of the employee.

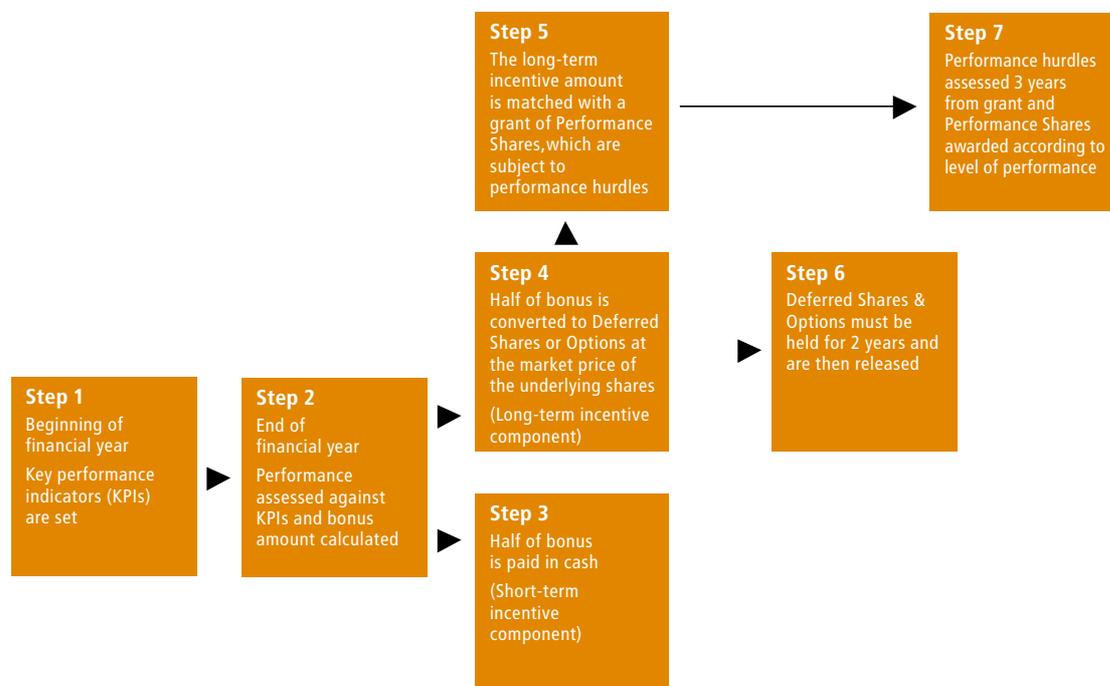
The GIS replaced the previous short, medium and long-term incentive plans for senior executives. Some of those previous plans have not yet reached the end of their performance periods. Subject to performance conditions, awards may still vest under those plans. In some cases awards have already vested but the period for exercising those awards has not yet expired. The plans are detailed on page 52 of this Report.

The GIS has been designed for senior executives and is controlled by the Committee. Participation requires the approval of the Committee. Throughout the period of participation, employees are required to hold a minimum number of BHP Billiton shares. The number required to be held varies according to the seniority of the employee.

##### 3.3.1. Group Incentive Scheme

A summary of the operation of the GIS is set out on the following page. A copy of the rules of the GIS is available on the BHP Billiton website, [www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf](http://www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf) and [www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonPlcGIS.pdf](http://www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonPlcGIS.pdf).

## Operation of the Group Incentive Scheme



**Step 1** At the beginning of each financial year, the Committee approves key performance indicators (KPIs) for the Chief Executive Officer and the people who report to him. These KPIs contain a mix of Group measures, individual business measures and personal measures. In every case, these include health, safety and environmental measures, either at Group or individual business level.

The Group measures relate to overall corporate performance and are the same for each employee, although different weightings apply to employees at different levels. Individual business measures reflect the objectives for the different businesses, while personal measures are tailored to reflect the performance expectations for individual employees. In all cases the KPIs have been designed to ensure that they are transparent, challenging and consistent with the Group's strategic framework and business value drivers, details of which were released to shareholders in April 2002.

The Group measures for the year ended 30 June 2003 are set out in section 3.3.3 below.

**Step 2** At the end of each financial year the actual performance of the Group, the individual businesses and each participant is measured and a decision is made in relation to whether the KPIs have been met and if so, at what level.

There are three levels of performance against each of the KPIs: Performance at *threshold* (i.e. the minimum necessary to qualify for any reward); *target* (where the performance

requirements have been met); and *stretch* (where performance is exceeded). The achievement against each KPI is expressed as a percentage. The percentages will range from zero per cent where the participant fails to meet threshold performance and 150 per cent where performance is at the stretch level. The overall percentage achievement is then multiplied by a proportion of the executive's salary (depending on level of seniority) to deliver the actual amount. The actual percentages that apply to the executive Directors are set out in section 4.

In order to identify and measure the variables that executives are able to manage and influence, adjustments are made to commodity prices and exchange rate fluctuations. In practice this is calculated by excluding 80 per cent of the variation against the budget estimate.

**Step 3** Once the performance level against the KPIs has been assessed, the amount of the reward is calculated. Half of that amount is paid to the participant in cash. This represents the short-term incentive component. The other half is retained and used as the basis for calculating the long-term incentive component.

**Step 4** The long-term incentive component is converted into shares, known as Deferred Shares, at the market price of the underlying shares on the date of grant. The Committee may, in its absolute discretion, give participants the right to take some or all of the value of this component in the form of Options. The number of Options granted will be derived from the market price at the date of grant.

The Committee will allow a participant to take Options instead of Deferred Shares where it is satisfied that the grant is consistent with the remuneration policy and does not undermine the objective of aligning the interests of participants with shareholders.

**Step 5** At the same time as half the bonus amount is converted into Deferred Shares or Options, the Group will match that amount in the form of a Performance Share award.

One Deferred Share, Option or Performance Share entitles the participant to one ordinary share in BHP Billiton.

**Step 6** Executives must retain the Deferred Shares (or Options if taken in lieu) for two years from the date of grant and cannot exercise the Deferred Shares or Options during that period.

At the end of that period, those Deferred Shares or Options are released. Participants will lose the Deferred Shares or Options if they voluntarily leave BHP Billiton before the expiration of the two-year period. This is designed to encourage participants to remain in the employment of the Group. Subject to the circumstances under which the participant otherwise leaves, the Committee retains some discretion in relation to Deferred Shares, Options and Performance Shares held by the participant but which have not yet vested.

Options can be exercised over a three-year period from the date on which they become exercisable.

**Step 7** The Performance Shares are subject to performance hurdles established by the Committee from time to time. The current hurdles are based on BHP Billiton's Total Shareholder Return (TSR) compared to a group of peer companies and its Earnings Per Share (EPS) growth targets measured over a three-year period. These measures are designed to encourage participants to focus on the long-term performance of the Group. The applicable TSR and EPS measures are explained in more detail in section 3.3.2 below.

### 3.3.2 Group Incentive Scheme – Transition Year

At the annual general meetings in 2002, shareholders approved arrangements that were required to bridge the period between the first full performance year of the GIS (the year ended 30 June 2003) and the cessation of awards under the Group's previous executive incentive plans. Without those transition arrangements, no long-term incentive awards could have been made in 2002. No short-term incentives were paid under the GIS for the Transition Year as executives remained eligible for short-term incentives under the former BHP Billiton plans. The Committee considered that the most appropriate transition arrangements were to allocate Performance Shares to participants that were subject to performance hurdles to be measured in 2005.

These performance hurdles are based on EPS growth and comparative TSR during the period from 1 July 2002 to 30 June 2005 (the Performance Period). Both the EPS growth targets and minimum TSR targets will need to be reached in order for the Performance Shares to vest.

The percentage of shares that will vest depends on the performance of the Group against the peer group companies. The vesting schedule is:

| TSR Percentile            | % of Performance Shares that will vest |
|---------------------------|--|
| 85th – 100th percentile   | 100                                    |
| 80th < 85th percentile    | 90                                     |
| 75th < 80th percentile    | 80                                     |
| 70th < 75th percentile    | 70                                     |
| 65th < 70th percentile    | 65                                     |
| 60th < 65th percentile    | 60                                     |
| 55th < 60th percentile    | 50                                     |
| 50th < 55th percentile    | 40                                     |
| Less than 50th percentile | None                                   |

The EPS growth targets will be satisfied if the compound EPS growth for the Group during the Performance Period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus two per cent per annum, over the Performance Period.

The level of vesting of the Performance Shares will depend on the TSR achieved by BHP Billiton Limited and BHP Billiton Plc compared to peer group companies over the Performance Period. The vesting schedule is set out above. If the TSR calculations for BHP Billiton Limited and BHP Billiton Plc result in one entity receiving a higher TSR percentile than the other, both groups will be deemed to have achieved the lower TSR percentile.

EPS growth is used as a performance hurdle because it provides a measure of the Group's earnings growth. TSR is recognised as one of the best indicators of shareholder return.

External consultants have been retained to assess whether the performance hurdles have been met, using established parameters which take into account adjustments for mergers or takeovers. These calculations are to be reviewed by the external auditors at the time of vesting.

The peer group of companies against which BHP Billiton's TSR performance is measured are:

|                              |                      |
|------------------------------|----------------------|
| • Alcan                      | • Marathon Oil Co    |
| • Alcoa                      | • Newmont Mining     |
| • Alumina                    | • Noranda            |
| • Anglo American             | • Phelps Dodge       |
| • Barrick Gold               | • Placer Dome        |
| • Companhia Vale do Rio Doce | • Rio Tinto          |
| • Conoco Phillips            | • Unocal             |
| • Freeport-McMoRan           | • Woodside Petroleum |
| • Inco                       | • Xstrata            |

### 3.3.3 Group Incentive Scheme – Performance Year 1 July 2002 – 30 June 2003

The first full year of the GIS is that ended 30 June 2003.

As described in section 3.3.1 above, the KPIs for the year were based on Group, individual business and personal measures.

The Group measures in financial year 2003 required performance in reducing operating costs; delivering against specific health, safety and environment targets including a specified classified injury frequency rate; delivering synergies arising from the merger of BHP Limited and Billiton Plc; and achieving specified levels of Return On Capital Employed, EBIT Shareholder Value Added, free cash flow and Shareholder Value Added.

The different levels of performance achieved in relation to each of these measures were as follows:

| Group KPIs                      | Level of performance achieved |
|---------------------------------|-------------------------------|
| Health, safety and environment  | Between target and stretch    |
| Reduction in operating costs    | Stretch                       |
| Realisation of merger synergies | Stretch                       |
| Return on Capital Employed      | Stretch                       |
| EBIT Shareholder Value Added    | Between target and stretch    |
| Free cash flow                  | Stretch                       |
| Shareholder Value Added         | Stretch                       |

### 3.3.4 Other long-term incentive schemes

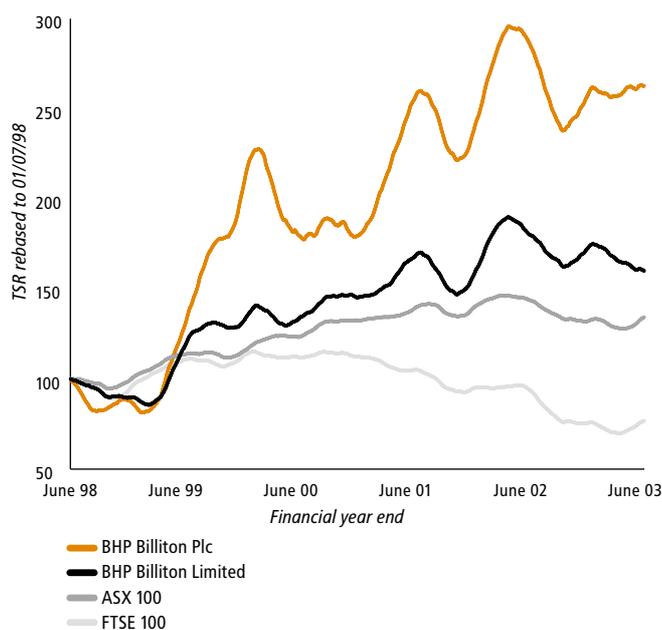
The GIS replaced all other incentive plans used by BHP Billiton, and no awards have been made under those plans since the introduction of the GIS. Some of the plans implemented before the introduction of the GIS remain in operation. The last of the awards made under these plans will expire in 2011.

A summary of the incentive plans under which awards to Directors and senior executives are still to vest is set out in section 3.4. A comparison of the Performance Shares awarded under the transitional arrangements, described in section 3.3.2 above, is also set out. Full details of the plans are contained in note 23 to the financial statements on page 120 of this Report.

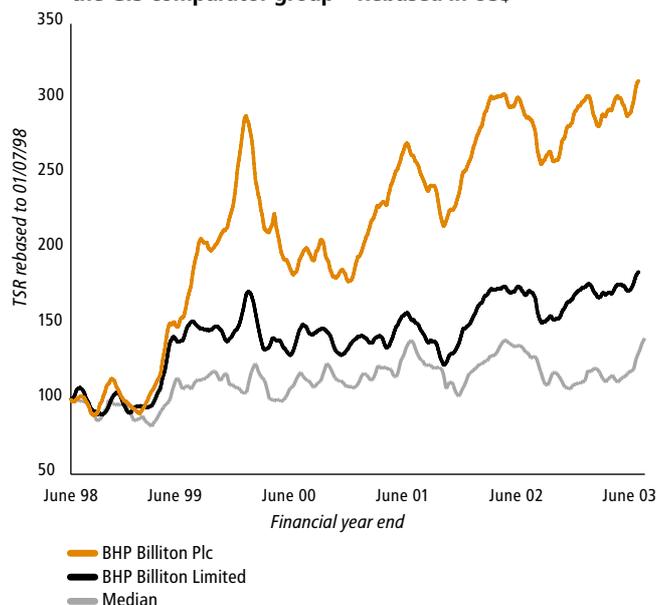
### 3.3.5 Performance of BHP Billiton

The performance of the Group relative to the markets in which it operates is illustrated by the two graphs below. The first compares BHP Billiton's Total Shareholder Return performance to the ASX 100 and the FTSE 100. The second graph illustrates performance against the GIS comparator group. These comparisons review performance over the past five years.

5-year TSR performance of BHP Billiton measured against the ASX 100 and FTSE 100 Index – Rebased in US\$



5-year TSR performance of BHP Billiton measured against the GIS comparator group – Rebased in US\$



## Remuneration Report continued

### 3.4 Long-term incentive plans – summary

| Feature  | Employee Share Plan 2000 (ESP 2000)  | Performance Share Plan 2000 (PSP 2000)   | Performance Share Plan 2001 (PSP 2001) & Restricted Share Scheme 2001 (RSS 2001)       | Medium Term Incentive Offer 2001 (MTI 2001) & Co-Investment Plan 2001 (CIP 2001) | Group Incentive Scheme (GIS) 2002 Performance Shares (Transition Year) |
|--|--|--|--|--|--|
| Performance measurement<br>From<br>To  | 3 April 2000<br>2 April 2003   | 1 July 2000<br>30 June 2003  | 1 October 2001<br>30 September 2004  | 1 October 2001<br>30 September 2003 <sup>(3)</sup>                               | 1 July 2002<br>30 June 2005  |
| Retesting available (i.e. a further opportunity to test performance at intervals after the first performance period has ended) | Yes, monthly until 2 April 2010  | Yes, monthly until 30 June 2005  | Yes, annually until 30 September 2006 but only applies to 25% of the award if retested | No   | No   |
| TSR performance condition  | BHP Billiton Limited TSR compared to ASX Top 100 and global comparator group   | BHP Billiton Limited TSR compared to global comparator group   | BHP Billiton TSR compared to global comparator group                                   | BHP Billiton TSR compared to global comparator group                             | BHP Billiton TSR compared to global comparator group                   |
| Inflationary performance condition   | No   | No   | Yes <sup>(1)</sup>   | Yes <sup>(1)</sup>   | Yes <sup>(5)</sup>   |
| Vesting schedule (upper and lower range)   | <41st percentile – 0%<br>>60th percentile – 100%   | <40th percentile – 0%<br>>75th percentile – 100%   | <10th position – 0%<br>>4th position – 100% <sup>(2)</sup>                             | <10th position – 0%<br>>4th position – 80% <sup>(4)</sup>                        | <50th percentile – 0%<br>>85th percentile – 100%                       |
| Plan status  | Legacy plan. Proportion of awards have met performance hurdles and are capable of being exercised. The remaining are subject to retesting. | Legacy plan. Proportion of awards have met performance hurdles and are capable of being exercised. The remaining are subject to retesting. | Legacy plan. Performance period not yet concluded.                                     | Legacy plan. Performance period not yet concluded.                               | Performance period not yet concluded.                                  |
| Expiry date if exercisable   | April 2010 <sup>(6)</sup>  | November 2010 <sup>(6)</sup>   | September 2011 <sup>(6)</sup>  | April 2006 <sup>(6)(7)</sup>   | August 2008  |
| <b>Comparator Group<sup>(8)</sup>:</b>   |  |  |  |  |  |
| ASX Top 100  | X  |  |  |  |  |
| Alcan  |  |  | X  | X  | X  |
| Alcoa  |  |  | X  | X  | X  |
| Alumina  |  |  | X  | X  | X  |
| Anglo American   |  |  | X  | X  | X  |
| Arcelor  | X  | X  |  |  |  |
| Barrick Gold   |  |  | X  | X  | X  |
| Companhia Vale do Rio Doce   |  |  | X  | X  | X  |
| Conoco Phillips  | X  | X  | X  | X  | X  |
| Corus Group  | X  | X  |  |  |  |
| Freeport-McMoRan   | X  | X  | X  | X  | X  |
| Inco   |  |  | X  | X  | X  |
| LTV  | X  | X  |  |  |  |
| Marathon Oil   | X  | X  | X  | X  | X  |
| Newmont Mining   |  |  | X  | X  | X  |
| Noranda  | X  | X  | X  | X  | X  |
| Nucor  | X  | X  |  |  |  |
| Phelps Dodge   | X  | X  | X  | X  | X  |
| Placer Dome  |  |  | X  | X  | X  |
| Rio Tinto  | X  | X  | X  | X  | X  |
| Total  | X  | X  |  |  |  |
| Unocal   | X  | X  | X  | X  | X  |
| US Steel   | X  | X  |  |  |  |
| WMC  | X  | X  |  |  |  |
| Woodside Petroleum   | X  | X  | X  | X  | X  |
| Xstrata  |  |  |  |  | X  |

The number of participants in the plans are contained in note 23 to the financial statements on page 120 of this Report.

- (1) The TSR growth targets will be satisfied if the compound TSR growth for the Group during the Performance Period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus two per cent per annum, over the Performance Period.
- (2) The percentage of Performance Rights that vest under the PSP 2001 will not be greater than the percentage of the share award that vest under the RSS 2001.
- (3) At this time, participants have the option to remain with the plan and enter a second Performance Period or leave the plan. The second Performance Period is a further two years ending on 30 September 2005.
- (4) In respect of the second Performance Period >4th position will mean 125 per cent of the shares vest. The percentage of Performance Rights that vest under the MTI 2001 will not be greater than the percentage of the share award that vest under the CIP 2001.
- (5) The EPS growth targets will be satisfied if the compound EPS growth for the Group during the Performance Period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus two per cent per annum, over the Performance Period.
- (6) Expiry date will be earlier if employment ceases.
- (7) Expiry date if the participants choose to participate for the second Performance Period; otherwise the expiry date is April 2004.
- (8) From publicly available data.

## 4. Executive Directors

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

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

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

### 4.1 Mr Charles Goodyear

#### 4.1.1 Service contract

Mr Goodyear has a single service contract with BHP Billiton Limited and BHP Billiton Plc. The contract does not contain a fixed term and can be terminated by the Group on 12 months' notice. Mr Goodyear is entitled to terminate the contract on three months' notice. The Group may immediately terminate the contract by paying Mr Goodyear 12 months' base salary in lieu of notice. In addition to base salary, Mr Goodyear is paid an amount in lieu of any contribution by the Group to a superannuation or pension fund. This amount is described as 'Retirement benefits' in the table in section 4.1.2 below. This amount is also payable where a payment is made in lieu of notice.

Any entitlement Mr Goodyear might have in relation to short and long-term incentives is covered by the GIS (details of which are set out in section 3.3.1). The rules of that Scheme outline the circumstances in which Mr Goodyear (and any other participant) would be entitled to receive any Deferred Shares, Options or Performance Shares that had been granted but which had not vested at the date of termination. The rules of the GIS also outline the circumstances in which Mr Goodyear would be entitled to a cash bonus payment for the performance year in which he leaves the Group. Those circumstances depend on the reason for his departure.

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

- any Deferred Shares or Options that had been granted but were not exercisable at the date of departure. The Committee recognises that the performance measures for the grant of these Deferred Shares or Options have already been met, save for the requirement that they be held for two years from the date of grant. The Committee believes that a mutual decision to depart would override that additional requirement to hold these Shares or Options for the balance of the two-year period.

- a cash bonus for the year in which the departure takes place that has been calculated according to the performance of Mr Goodyear and the Group for that year, and pro-rated back to reflect the actual period of service in that year.
- a right to retain Performance Shares that have been granted but that are not exercisable, pending satisfaction of performance conditions. The number of Performance Shares Mr Goodyear will be permitted to retain will be reduced to reflect his period of service. These will then only become exercisable if the performance conditions are ultimately met.

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

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

#### 4.1.2 Remuneration

The remuneration paid to Mr Goodyear for the year ended 30 June 2003 is set out in the first table on page 54 of this Report.

## Remuneration Report continued

### Mr C W Goodyear – Remuneration paid (US Dollars)

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

<sup>(1)</sup> Deferred Shares

Details on Deferred Shares are included under the GIS on pages 49 to 50 of this Report. The actual Deferred Shares will be awarded to Mr Goodyear subject to approval by shareholders at the annual general meetings in 2003. Mr Goodyear can elect to receive Options instead of Deferred Shares, or a combination of both.

<sup>(2)</sup> Other benefits

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

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

<sup>(4)</sup> Long-term share-based compensation

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

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

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

### 4.1.3 Share and Option plans

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

#### Mr C W Goodyear – Share Options

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

<sup>(1)</sup> Includes bonus shares issued for Options in respect of DLC Merger.

<sup>(2)</sup> All of the award is exercisable. The terms of these Options are identical to the terms of ESP 2000 set out on page 52 except for minor variations to the global comparator group, where the performance measurement was from 23 April 1999 to 22 April 2002 and that the Options expire on 22 April 2009. Market price on the date of exercise (28 February 2003) was A\$9.15.

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

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

#### Mr C W Goodyear – Shares awarded

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

<sup>(1)</sup> Includes bonus shares issued for Performance Rights in respect of DLC Merger and the BHP Steel Demerger.

<sup>(2)</sup> Market price on date of the GIS award (12 November 2002) was A\$9.37.

<sup>(3)</sup> Seventy-five per cent of the award is exercisable. The balance of the award is still subject to satisfying performance conditions.

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

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

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

The cash bonus amount represents half of the total bonus amount in accordance with the rules of the GIS. The actual amount is detailed in the table of remuneration in section 4.1.2.

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

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

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

#### **4.1.4 Retirement benefits**

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

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

## **4.2 Mr Miklos (Mike) Salamon**

### **4.2.1 Service contracts**

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

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

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

### **4.2.2 Remuneration**

The remuneration paid to Mr Salamon for the year ended 30 June 2003 is set out in the first table on page 56 of this Report.

## Remuneration Report continued

### Mr M Salamon – Remuneration paid (US Dollars)

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

<sup>(1)</sup> Deferred Shares

Details on Deferred Shares are included under the GIS on pages 49 to 50 of this Report. The actual Deferred Shares will be awarded to Mr Salamon subject to the approval of shareholders at the annual general meetings in 2003. Mr Salamon can elect to receive Options instead of Deferred Shares, or a combination of both.

<sup>(2)</sup> Other benefits

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

<sup>(3)</sup> Retirement benefits

The estimated benefit in respect of pensions includes contributions payable in respect of actual/notional contributions that would have been required to secure the defined benefit promises earned in the year. Details of the defined benefit pension entitlements earned by Mr Salamon are set out on page 57 of this Report.

<sup>(4)</sup> Long-term share-based compensation

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

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

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

### 4.2.3 Share and Option plans

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

### Mr M Salamon – Shares awarded

| Scheme                                       | Ordinary Shares under award |         |        |        |                 | Vesting date |
|--|-----------------------------|---------|--------|--------|-----------------|--------------|
|  | At 24 February 2003         | Granted | Vested | Lapsed | At 30 June 2003 |              |
| GIS 2002 <sup>(1)</sup> – Performance Shares | 193 706                     | –       | –      | –      | 193 706         | August 2005  |
| CIP 2001 <sup>(2)</sup>                      | 107 206 <sup>(3)</sup>      | –       | –      | –      | 107 206         | 01 Oct 2003  |
| RSS 2001                                     | 198 163 <sup>(3)</sup>      | –       | –      | –      | 198 163         | 01 Oct 2004  |
| Total  | 499 075                     | –       | –      | –      | 499 075         |              |

<sup>(1)</sup> Market price on date of the GIS award, 12 November 2002, was £3.18.

<sup>(2)</sup> Includes 26 471 Committed Shares invested by Mr Salamon.

<sup>(3)</sup> Includes bonus shares issued for share awards in respect of the BHP Steel Demerger.

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

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

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

The cash bonus represents half of the total bonus amount in accordance with the rules of the GIS. The actual amount is detailed in the table of remuneration in section 4.2.2.

The remaining half of the total bonus amount will be awarded to Mr Salamon in Deferred Shares and/or Options subject to shareholder approval at the annual general meetings in 2003.

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

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

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

#### 4.2.4 Retirement benefits

##### Mr M Salamon – Defined Benefit Pension (US Dollars)

| Increase in accrued annual pension entitlement during the year <sup>(1)</sup> | Total accrued annual pension entitlement at year end <sup>(2)</sup> | Increase in transfer value of total accrued pension <sup>(1)</sup> | Transfer value of total accrued pension at year end 2003 <sup>(2)</sup> | Transfer value of total accrued pension at year end 2002 <sup>(2)</sup> |
|---|---|--|---|---|
| 82 063  | 630 466   | (302 445)  | 5 701 055   | 6 003 500   |

<sup>(1)</sup> The increase in accrued pension is the difference between the accrued pension at the end of the previous year and the accrued pension at the end of the year without any allowance for inflation. The increase in transfer value of total accrued pension is the difference between the transfer value at the end of the year and the transfer value at the beginning of the year less the contributions made to the scheme by the Director also without any allowance for inflation. The increase in accrued pension after making an allowance for inflation of 3.3 per cent (2002: 1 per cent) was US\$63 966 (2002: US\$135 921) and the transfer value of that increase less the contributions made to the scheme by the Director was US\$578 420 (2002: US\$1 487 959).

<sup>(2)</sup> The disclosure of the transfer value of total accrued pension at year end is the actual transfer value as at 30 June 2002, notwithstanding the fact that Mr Salamon was appointed as a Director on 24 February 2003.

BHP Billiton Plc and BHP Billiton Services Jersey Limited have established non-contributory defined benefit pension arrangements under which Mr Salamon will be entitled to a pension at normal retirement date at age 60, equal to two-thirds of pensionable salary provided he has completed 20 years service with the Group. Only base salary is pensionable. At the date of this Report, Mr Salamon was 48 years of age.

Each year, Mr Salamon has the right to determine whether his pension provision for that year's salary under each service contract with BHP Billiton Plc and BHP Billiton Services Jersey Limited is made under a defined benefit or defined contribution arrangement for service after 1 July 1997. Alternatively, he can choose to receive a cash sum at equivalent cost to the Group. Once he has completed 20 years or more service, the cash sum option will no longer be available to him.

If he has chosen in any year to have a defined contribution arrangement he may elect subsequently to have the defined contribution benefit for that year and any previous years converted to a defined benefit promise, in which case he must surrender the defined contribution benefit accrued.

If Mr Salamon retires before age 60, his accrued defined benefit pension entitlement will normally be reduced for early payment at the rate of four per cent per annum.

In terms of the rules of the scheme all pensions in payment will be indexed in line with the retail price index.

In the event of death in service, a lump sum benefit of four times base salary will be paid. A spouse's pension on death in service of two-thirds of the prospective pension will also be paid.

In the event of the death of Mr Salamon while in retirement, a surviving spouse's pension of two-thirds of the pension in payment, before the effect of commutation, will be paid.

## 5. Former executive Directors

### 5.1 Mr Paul Anderson

Mr Paul Anderson retired as Chief Executive Officer on 1 July 2002 but remained on the Board as a non-executive Director until 4 November 2002. Details of remuneration paid to him during the year ended 30 June 2003 and the prior year are set out below. All of the amounts paid by way of termination payments were disclosed in the Annual Report for the year ended 30 June 2002. That disclosure is repeated below.

#### 5.1.1 Termination payments

Under the terms of his service contract, Mr Anderson was entitled to receive an amount of US\$1 675 831, which is equal to twice his annual base salary following his retirement on 1 July 2002. With the Board's approval an equivalent amount has been paid to him as follows:

- a consultancy arrangement with a total payment of US\$104 739 under which Mr Anderson agreed to act as a consultant to the Group for two years commencing 5 November 2002.
- further payments totalling US\$1 571 092.

In addition, Mr Anderson's contract entitled him to exercise those Performance Rights awarded under the original contract that had not become exercisable, being 400 000 Performance Rights (300 000 of which became exercisable on termination, with a notional value of US\$3 464 770 using a share price of US\$5.39 per share). Although his contract entitled him to exercise 400 000 rights without reference to service or performance hurdles, Mr Anderson requested that the 100 000 Performance Rights issued in relation to the year ended 30 June 2002 remain subject to performance conditions. His performance against the conditions was assessed in August 2002 and, as a result, all of those Performance Rights became exercisable.

#### 5.1.2 Remuneration

Other than the termination payment detailed in section 5.1.1, Mr Anderson did not receive any remuneration, including any Directors' fees, for the year ended 30 June 2003. In 2002 Mr Anderson received US\$2 615 019.

## 5.1.3 Share and Option plans

### Mr P M Anderson – Share Options

| Scheme                  | Ordinary Shares under option |         |           |        |                    | Exercise price <sup>(3)</sup> | First exercise date | Expiry date |
|-------------------------|------------------------------|---------|-----------|--------|--------------------|-------------------------------|---------------------|-------------|
|                         | At 1 July 2002               | Granted | Exercised | Lapsed | At 4 November 2002 |                               |                     |             |
| ESP 1999 <sup>(1)</sup> | 2 065 100 <sup>(2)</sup>     | –       | –         | –      | 2 065 100          | A\$6.92                       | 23 April 2002       | April 2009  |

<sup>(1)</sup> The terms of these Options are identical to the terms of ESP 2000 set out in section 3.4 except for minor variations to the global comparator group, where the performance measurement was from 23 April 1999 to 22 April 2002 and that the Options expire on 22 April 2009.

<sup>(2)</sup> Includes bonus shares issued for Options in respect of the DLC Merger.

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

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

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

### Mr P M Anderson – Shares awarded

| Scheme                  | Ordinary Shares under award |         |                       |        |                    | Vesting date |
|-------------------------|-----------------------------|---------|-----------------------|--------|--------------------|--------------|
|                         | At 1 July 2002              | Granted | Vested <sup>(1)</sup> | Lapsed | At 4 November 2002 |              |
| PSP 1999 <sup>(2)</sup> | 1 032 885                   | –       | 1 032 885             | –      | –                  | August 2002  |

<sup>(1)</sup> Market price on vesting dates were: A\$9.45 (22 August 2002); and A\$9.46 (26 August 2002).

<sup>(2)</sup> These Performance Rights were awarded on 1 March 1999. The market price at this time was A\$5.26. Vesting of these Performance Rights was subject to service and performance conditions. The performance conditions were determined by the Board on an annual basis.

## 5.2 Mr Brian Gilbertson

Mr Brian Gilbertson resigned as Chief Executive Officer and as a member of the Board on 5 January 2003. Details of the payments made to him on termination were announced on 23 May 2003 and are set out in section 5.2.1 below. Details of the remuneration paid to him during the year ended 30 June 2003 and the prior year are set out in section 5.2.2.

### 5.2.1 Termination payments

Under the terms of an agreement between the Group and Mr Gilbertson dated 23 May 2003, the following amounts were paid to him:

- £3 418 780 in respect of unpaid salary to 30 June 2005 in accordance with the terms of his service contracts
- £54 930 in respect of holidays accrued but not taken at the time of his resignation
- £595 895 in respect of short-term incentive for the year ended 30 June 2003. This sum was reached by measuring the performance of the Group at the date of resignation and pro-rating his entitlements to that date.

These amounts represented his entitlements under his contracts of employment with the Group. The amounts are gross amounts and subject to necessary withholdings.

In addition, Mr Gilbertson is entitled to be reimbursed an amount capped at £150 000, for relocation and other costs associated with his departure. The Group will also continue to provide medical insurance cover for Mr Gilbertson and his wife until 29 June 2005.

Those amounts are included in the table in section 5.2.2 below and appear in US\$.

No entitlements under any of the long-term incentive plans in which Mr Gilbertson participated vested on his resignation. With the approval of the Board, the Committee exercised the discretion granted to it under those incentive plans and agreed to allow Mr Gilbertson to continue to participate subject to the following conditions:

- that the number of entitlements that Mr Gilbertson retained be reduced on a pro-rated basis to reflect his period of service
- that shares would vest only if the pre-determined performance conditions had been met
- awards of shares, if any, would be made at the same time as to other participants in the plans.

In exercising its discretion the Board and Committee took into account the leadership role Mr Gilbertson had played both before and after the merger and felt that Mr Gilbertson should be entitled to participate, albeit at a reduced level to reflect his period of service, if the pre-determined performance conditions were ultimately met.

Awards in which Mr Gilbertson continues to hold an entitlement, subject to these conditions, are set out in the table in section 5.2.3 below.

Mr Gilbertson is also entitled to benefits under pension plans in which he had accrued an entitlement to 31 years of pensionable service with all included employers at the date of his resignation from BHP Billiton. Details of these entitlements are set out in section 5.2.4.

## 5.2.2 Remuneration

### Mr B P Gilbertson – Remuneration paid (US Dollars)

| Base salary | Deferred cash bonus | Other benefits | Termination payments <sup>(1)</sup> | Subtotal 2003 | Subtotal 2002 | Retirement benefits <sup>(2)</sup> | Share-based compensation – long-term <sup>(3)</sup> | Total 2003 | Total 2002 |
|-------------|---------------------|----------------|-------------------------------------|---------------|---------------|------------------------------------|---|------------|------------|
| 685 567     | 419 259             | 45 892         | 6 707 368                           | 7 858 086     | 3 745 115     | 364 313                            | 292 636   | 8 515 035  | 5 060 566  |

(1) Termination payments

Included in the termination payments is an amount of US\$947 218 relating to pro-rated cash bonus paid in relation to Mr Gilbertson's services for the year ended 30 June 2003.

(2) Retirement benefits

The estimated benefit in respect of pensions includes contributions payable in respect of actual/notional contributions that would have been required to secure the defined benefit promises earned in the year. Details of the defined benefit pension entitlements earned by Mr Gilbertson are set out in section 5.2.4 below.

(3) Long-term share-based compensation

The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes.

The estimated value has been calculated using a modified Black-Scholes option pricing methodology. Details of outstanding awards and awards vesting in the year are set in the table below.

## 5.2.3 Shares awarded

### Mr B P Gilbertson – Shares in which an entitlement is retained, subject to performance

| Scheme                        | Ordinary Shares under award   |                        |        |  |   | Vesting date                   |
|-------------------------------|-------------------------------|------------------------|--------|--|---|--------------------------------|
|                               | At 1 July 2002 <sup>(1)</sup> | Granted <sup>(2)</sup> | Vested | Number of shares forfeited as at date of resignation | Number of shares in which Mr Gilbertson retained an entitlement at 5 January 2003 subject to the conditions set out in section 5.2.1 <sup>(3)</sup> |                                |
| GIS 2002 – Performance Shares | –                             | 366 589                | –      | 303 430  | 63 159  | August 2005                    |
| RSS 2001                      | 292 576                       | –                      | –      | 169 358  | 123 218   | 1 October 2004                 |
| CIP 2001 <sup>(4)</sup>       | 100 946                       | –                      | –      | 58 648   | 42 298  | 7 November 2003 <sup>(5)</sup> |
| Total                         | 393 522                       | 366 589                | –      | 531 436  | 228 675   |                                |

(1) Includes bonus shares issued for share awards in respect of the BHP Steel Demerger.

(2) Market price on date of the GIS award, 12 November 2002, was £3.18.

(3) The number of entitlements Mr Gilbertson retained are pro-rated to reflect his period of service to resignation date. The shares will vest only if the pre-determined performance conditions have been met. Awards of shares, if any, will be made at the same time as to other participants in the plans.

(4) CIP includes the 24 925 Committed Shares originally invested by Mr Gilbertson.

(5) If Mr Gilbertson elects to participate in the second Performance Period, then 16 275 shares will vest on 7 November 2005. Otherwise these 16 275 shares will lapse on 7 November 2003.

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

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

## 5.2.4 Retirement benefits

Mr Gilbertson participated in a defined benefit pension plan. Under the terms of that plan Mr Gilbertson has pensionable service from 1 April 1970. That service includes service to BHP Billiton and service that was transferred from former employers. The Group's policy in relation to defined benefit plans is set out in section 3.2 of this Report. Mr Gilbertson is entitled to take the retirement benefits or a pension or commute those benefits to a lump sum. At the date of this Report Mr Gilbertson has not advised the Group of his election.

## Remuneration Report continued

### Mr B P Gilbertson – Defined Benefit Pension (US Dollars)

| Increase in accrued annual pension entitlement during the year <sup>(1)</sup> | Total accrued annual pension entitlement at year end <sup>(2)</sup> | Increase in transfer value of total accrued pension <sup>(1)</sup> | Transfer value of total accrued pension at year end 2003 <sup>(2)</sup> | Transfer value of total accrued pension at year end 2002 <sup>(2)</sup> |
|---|---|--|---|---|
| 86 910  | 977 186   | (1 447 694)  | 14 795 452  | 16 243 146  |

<sup>(1)</sup> The increase in accrued pension is the difference between the accrued pension at the end of the previous year and the accrued pension at the end of the year without any allowance for inflation. The decrease in transfer value of total accrued pension is the difference between the transfer value at the end of the year and the transfer value at the beginning of the year less the contributions made to the scheme by the Director also without any allowance for inflation.

The increase in accrued pension after making an allowance for inflation of 3.3 per cent (2002: 1 per cent) was US\$57 531 (2002: US\$50 363) and the transfer value of that increase less the contributions made to the scheme by the Director was US\$871 075 (2002: US\$1 009 296).

<sup>(2)</sup> The disclosure of the transfer value of total accrued pension at year end represents the transfer value as at 30 June 2003, notwithstanding that Mr Gilbertson resigned on 5 January 2003.

At the date of his resignation Mr Gilbertson was 59 years of age.

## 6. Executives

### 6.1 Five highest paid officers (other than Directors) (US Dollars)

| Executive       | Base salary | Annual cash bonus | Value of Deferred Shares <sup>(1)</sup> | Other benefits <sup>(2)</sup> | Subtotal 2003 | Retirement benefits <sup>(3)</sup> | Share-based compensation – long-term <sup>(4)</sup> | Adjustment for Deferred Share vesting period <sup>(5)</sup> | Total 2003 |
|-----------------|-------------|-------------------|---|-------------------------------|---------------|------------------------------------|---|---|------------|
| Philip Aiken    | 675 241     | 558 015           | 520 851                                 | 408 789                       | 2 162 896     | 180 289                            | 285 050   | (347 234)   | 2 281 001  |
| Marius Kloppers | 449 486     | 415 971           | 388 267                                 | 679 458                       | 1 933 182     | –                                  | 225 336   | (258 845)   | 1 899 673  |
| Bradford Mills  | 551 250     | 439 415           | 410 150                                 | 158 931                       | 1 559 746     | 201 206                            | 278 534   | (273 433)   | 1 766 053  |
| Chris Lynch     | 587 217     | 487 638           | 455 161                                 | 175 096                       | 1 705 112     | 142 987                            | 184 849   | (303 441)   | 1 729 507  |
| David Munro     | 787 894     | 370 371           | 345 704                                 | 143 068                       | 1 647 037     | –                                  | 153 742   | (230 469)   | 1 570 310  |

<sup>(1)</sup> Deferred Shares

Details on Deferred Shares are included under the GIS on pages 49 to 50 of this Report. Employees can elect to receive Options instead of Deferred Shares, or a combination of both.

<sup>(2)</sup> Other benefits

Includes medical insurance, life assurance, related benefits, cash gratuity in lieu of retirement benefits (which for Mr Kloppers totalled US\$353 226), relocation allowance and expenses, sign-on allowances, payment of unused leave entitlements and car allowances, where applicable.

<sup>(3)</sup> Retirement benefits

The estimated benefit in respect of pensions includes contributions payable in respect of defined contribution arrangements and actual/notional contributions that would have been required to secure the defined benefit promises earned in the year.

<sup>(4)</sup> Long-term share-based compensation

The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes.

The estimated value has been calculated using a modified Black-Scholes option pricing methodology. The number of Performance Shares granted under the GIS in November 2002 is as follows: 158 118 Performance Shares to Mr Aiken; 119 485 Performance Shares to Mr Kloppers; 141 897 Performance Shares to Mr Mills; 117 117 Performance Shares to Mr Lynch; and 147 263 Performance Shares to Mr Munro.

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

## 7. Non-executive Directors

### 7.1 Remuneration policy

In May 2001 shareholders approved an aggregate sum of A\$3 million to be used to remunerate non-executive Directors. Fees payable to non-executive Directors were set in 2002. There was no change to either the fee structure, or rates payable during the 2003 financial year.

The remuneration rates reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the Dual Listed Companies structure, the multiple stock exchange listings and the extent of the geographic regions in which the Group operates. They also reflect the considerable travel burden imposed on members of the Board.

The elements of remuneration are:

- a base fee of US\$60 000 per annum
- a fee of US\$1000 for each meeting attended
- a fee of US\$7500 for the chairman of a Committee of the Boards
- a travel allowance of US\$1000 for air travel that is more than three hours but less than 12 hours and US\$2500 where air travel is more than 12 hours.

Non-executive Directors are not eligible to participate in any of the Group's incentive arrangements.

The Chairman of BHP Billiton is Mr Don Argus. His remuneration is fixed at four times the base fee for non-executive Directors. He does not receive any additional fees for chairing the Nomination Committee, or any Board meeting attendance fees.

The Senior Independent Director of BHP Billiton Plc is Dr John Buchanan. Dr Buchanan is paid a base fee of US\$80 000, plus additional fees and allowances as described.

Members of the Risk Management and Audit Committee (Mr David Crawford, Dr David Brink, Dr David Jenkins and Mr Cor Herkströter) also act as chairmen of the Customer Sector Group Risk Management and Audit Committees and receive

attendance fees and travel allowances in respect of meetings of those Committees.

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

Each non-executive Director is appointed subject to periodic re-election by the shareholders (see page 38 of this Report for an explanation of the re-appointment process). There are no provisions in any of the non-executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

## 7.2 Remuneration paid – non-executive Directors (US Dollars)

|                               | Fees and allowances | Other benefits | Subtotal<br>2003 | Subtotal<br>2002 | Retirement benefits <sup>(1)</sup><br>2003 | Total<br>2003 | Total<br>2002 |
|-------------------------------|---------------------|----------------|------------------|------------------|--|---------------|---------------|
| Paul Anderson <sup>(2)</sup>  | –                   | –              | –                | –                | –  | –             | –             |
| Don Argus                     | 247 500             | –              | 247 500          | 245 000          | 12 625                                     | 260 125       | 261 524       |
| Ben Alberts <sup>(3)</sup>    | –                   | –              | –                | 70 000           | –  | –             | 73 470        |
| David Brink                   | 95 500              | 2 781          | 98 281           | 80 031           | –  | 98 281        | 80 031        |
| John Buchanan <sup>(4)</sup>  | 44 832              | –              | 44 832           | –                | –  | 44 832        | –             |
| Michael Chaney <sup>(6)</sup> | 81 500              | –              | 81 500           | 71 000           | 3 155                                      | 84 655        | 75 362        |
| John Conde <sup>(3)</sup>     | –                   | –              | –                | 67 500           | –  | –             | 71 630        |
| David Crawford                | 96 000              | –              | 96 000           | 84 000           | 3 550                                      | 99 550        | 88 343        |
| Cornelius Herkströter         | 83 500              | 2 781          | 86 281           | 70 531           | –  | 86 281        | 70 531        |
| John Jackson <sup>(5)</sup>   | 54 144              | –              | 54 144           | 155 000          | –  | 54 144        | 155 000       |
| David Jenkins                 | 100 500             | –              | 100 500          | 69 000           | –  | 100 500       | 70 785        |
| Derek Keys <sup>(3)</sup>     | –                   | 2 781          | 2 781            | 76 969           | –  | 2 781         | 76 969        |
| John Ralph <sup>(5)</sup>     | 24 660              | –              | 24 660           | 69 000           | 1 160                                      | 25 820        | 73 130        |
| Lord Renwick                  | 76 500              | –              | 76 500           | 68 000           | –  | 76 500        | 68 000        |
| Barry Romeril <sup>(3)</sup>  | –                   | 2 781          | 2 781            | 70 531           | –  | 2 781         | 70 531        |
| John Schubert                 | 78 375              | –              | 78 375           | 70 000           | 3 250                                      | 81 625        | 74 130        |

(1) BHP Billiton Limited contributions of 9 per cent of fees paid in accordance with Australian superannuation legislation.

(2) Appointed a non-executive Director on 1 July 2002 upon his retirement as Chief Executive Officer and Managing Director. He did not receive fees, allowances or other benefits in his capacity as a non-executive Director. Retired on 4 November 2002. Details of amounts paid to him on retirement are set out on page 57.

(3) Retired on 30 June 2002.

(4) Appointed on 1 February 2003.

(5) Retired on 4 November 2002.

(6) Michael Chaney has requested that fees payable to him be paid instead to his employer Wesfarmers Limited.

## 7.3 Non-executive Directors' retirement benefits

In 1989 the shareholders of BHP Limited approved the introduction of a Retirement Plan under which non-executive Directors accrued entitlements to be paid by the Group on retirement from the Board. The entitlements under this plan are net of any compulsory payments by the Group to the BHP Billiton Superannuation Fund.

At the time of the merger, the Board resolved to close the Plan to new entrants and to continue its operation only until such time as the remaining participants continued in office.

In August 2003 the remaining participants in the Plan (Mr Don Argus, Mr Michael Chaney, Mr David Crawford, Dr David Jenkins

and Dr John Schubert) all agreed to set aside their entitlements and cease participation in the Plan effective from the first of the 2003 annual general meetings (to be held on 24 October 2003). The Plan will be closed from that date and the entitlements that have accumulated in respect of each of the participants will be frozen and paid on retirement. Those amounts are set out in the table below. An earnings rate equal to the five-year Australian Government Bond Rate will be applied.

The following table sets out the accrued retirement benefits under the Plan together with any entitlements obtained by the compulsory Group contributions to the BHP Billiton Superannuation Fund.

## Retirement remuneration – non-executive Directors (US Dollars)

| Name           | Completed years of service at 30 June 2003 | Increase in lump sum entitlement during the year | Lump sum entitlement at 30 June 2003 | Lump sum entitlement at 30 June 2002 |
|----------------|--|--|--------------------------------------|--------------------------------------|
| Don Argus      | 7  | 199 892  | <b>997 383</b>                       | 797 491                              |
| Michael Chaney | 8  | 52 179   | <b>264 013</b>                       | 211 834                              |
| David Crawford | 9  | 54 387   | <b>278 681</b>                       | 224 294                              |
| David Jenkins  | 3  | 57 242   | <b>132 007</b>                       | 74 765                               |
| John Schubert  | 3  | 57 242   | <b>132 007</b>                       | 74 765                               |

### 8. Former non-executive Directors

Mr Paul Anderson, Mr John Jackson and Mr John Ralph retired as non-executive Directors during the year.

Following his retirement as a non-executive Director on 30 June 2002, Mr Ben Alberts joined the Health, Safety and Environment Committee. He received a fee of A\$2000 for each day spent on Committee activities, which amounted to US\$16 535 in total during FY2003. He was also paid a retirement benefit during the year of US\$107 158 which had accrued up to his retirement at the end of the previous financial year.

Mr Anderson served as a non-executive Director from 1 July 2002 to 4 November 2002. He did not receive any remuneration for his services as a non-executive Director. Details of remuneration paid in relation to his executive responsibilities are set out in section 5.1.2. A description of his benefits paid after his retirement as a non-executive Director and manner of payment are set out in section 5.1.1.

Mr John Ralph retired on 4 November 2002 and was paid a retirement benefit of US\$196 053 that had accrued to him up to his retirement.

Mr John Conde retired on 30 June 2002 and was paid a retirement benefit of US\$207 196 that had accrued to him up to his retirement.

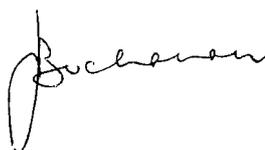
### 9. Aggregate Directors' remuneration

The aggregate remuneration of executive and non-executive Directors of BHP Billiton in accordance with UK generally accepted accounting principles is set out in the table below.

#### Aggregate Directors' remuneration (US Dollars million)

|  | 2003             | 2002      |
|--|------------------|-----------|
| Emoluments                                     | 7                | 9         |
| Termination payments                           | 12               | 2         |
| Awards vesting under long-term incentive plans | –                | 9         |
| Gains on exercise of Options                   | 0 <sup>(1)</sup> | –         |
| <b>Total</b>                                   | <b>19</b>        | <b>20</b> |

<sup>(1)</sup> Mr Goodyear exercised options during the year ended 2003 with a gain of US\$0.2 million.



John Buchanan  
**Chairman, Remuneration Committee**

9 September 2003

# BHP BILLITON CHARTER

WE ARE BHP BILLITON, A LEADING GLOBAL RESOURCES COMPANY.

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

**To prosper and achieve real growth, we must:**

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

**We value:**

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

**We are successful in creating value when:**

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



Chip Goodyear  
**Chief Executive Officer**

January 2003



# Directors' Report

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

## Principal activities and business review

The principal activities of the BHP Billiton Group during the 2003 financial year were minerals exploration, production and processing (particularly alumina, aluminium, copper, iron ore, metallurgical coal, ferroalloys, energy coal, nickel, diamonds and titanium minerals), and oil and gas exploration, development and production.

Apart from the withdrawal of the Group from steel production and processing in July 2002 (as previously reported), there were no significant changes in the nature of the Group's principal activities during the year.

A review of the development of the business of the Group during the year and an indication of likely future developments appear in the Chairman's Review, the Chief Executive Officer's Report, the Customer Sector Group Reviews, the Financial Review and other material in this Report.

## Results

The consolidated profit and loss account set out on pages 74 to 75 shows an attributable profit of US\$1901 million compared to US\$1690 million in 2002.

## Share buy-back program and contingent purchase contract

BHP Billiton Limited has in place a share buy-back program, under which up to 186 million shares in BHP Billiton Limited can be purchased on-market and cancelled between 1 July 2001 and 30 September 2004, taking into account shares in BHP Billiton Plc purchased pursuant to a contingent purchase contract (see below). The level of share purchases undertaken will remain subject to prevailing market conditions and alternative capital investment opportunities available to the Group. At the date of this Report, a total of 4 134 622 shares in BHP Billiton Limited had been purchased under the buy back program for capital maintenance purposes. The aggregate amount of consideration paid for these shares was (rounded to the nearest US\$ million) US\$19 million. No purchases were made during the 2003 financial year.

At the annual general meeting of BHP Billiton Plc held on 4 November 2002, shareholders renewed the authority given to the Directors at the 2001 annual general meeting, approving the terms of the contingent purchase contract between BHP Billiton Plc and MSI Investments (BVI) Limited, an indirect wholly-owned subsidiary of BHP Billiton Plc.

The authority allowed BHP Billiton to put in place a structure intended to have an effect similar to market repurchase by BHP Billiton Plc of its own shares, while giving the Group greater flexibility in terms of management of its capital structure. Under the structure, appointed brokers are able to purchase up to 231 million ordinary shares in BHP Billiton Plc in the market on behalf of a special purpose vehicle, Nelson Investment Limited (Nelson). This represents approximately 9.36 per cent of the issued capital of BHP Billiton Plc as at the date of this Report.

Between 9 May 2003 and 20 May 2003 Nelson purchased 3 890 000 ordinary shares in BHP Billiton Plc, representing approximately 0.158 per cent of the issued share capital of BHP Billiton Plc as at the date of this Report. The aggregate amount of consideration paid for these shares was US\$20 million (including transaction costs and rounded to the nearest US\$ million).

The contingent purchase contract gives BHP Billiton Plc the right, but not the obligation, to repurchase and cancel, at any time prior to the expiry of the contingent purchase contract, up to 231 million of its shares purchased and held by Nelson. Alternatively, Nelson can place the shares in the market for the benefit of the Group. It is not intended that the shares would be placed in the market unless this is appropriate for the Group's capital requirements. No shares have been repurchased and cancelled pursuant to the contingent purchase contract.

The authority granted by shareholders to Directors expires on 3 May 2004 and renewal will not be requested at the 2003 annual general meeting.

## Directorate

Details of the Directors of BHP Billiton at the date of this Report are set out on pages 28 to 30, including the period for which they held office during the 2003 financial year. Directors who retired or resigned from the Board during the financial year appear in the table below. Each of the following former Directors were Directors of BHP Billiton at 1 July 2002.

## Former Directors

| Director         | Date of retirement/resignation |
|------------------|--------------------------------|
| Paul Anderson    | 4 November 2002                |
| John Jackson     | 4 November 2002                |
| John Ralph       | 4 November 2002                |
| Brian Gilbertson | 5 January 2003                 |

The table on page 65 sets out the relevant interests in shares in BHP Billiton Plc and BHP Billiton Limited of the Directors who held office at 30 June 2003, at the beginning and end of the financial year, and at the date of this Report. No rights or options over shares are held by any of the non-executive Directors. The rights or options held by executive Directors over shares in BHP Billiton Plc and BHP Billiton Limited are set out in the tables on pages 54 to 56.

## Directors' share interests

| BHP Billiton shares <sup>(1)</sup> | As at date of Report                                  | As at 30 June 2003            | As at 30 June 2002           | BHP Billiton shares <sup>(1)</sup>   | As at date of Report | As at 30 June 2003           | As at 30 June 2002 |
|------------------------------------|---|-------------------------------|------------------------------|--------------------------------------|----------------------|------------------------------|--------------------|
| Don Argus <sup>(2)</sup>           | <i>193 495</i>  | <b>193 495</b>                | <i>193 495</i>               | Cornelius Herkströter <sup>(2)</sup> | 10 642               | <b>10 642</b>                | 10 000             |
| David Brink <sup>(2)</sup>         | 39 377  | <b>39 377</b>                 | 37 000                       | David Jenkins                        | <i>10 326</i>        | <b>10 326</b>                | <i>10 326</i>      |
| John Buchanan <sup>(6)</sup>       | 1 000   | <b>1 000</b>                  | –                            | Lord Renwick                         | 12 385<br>2 066      | <b>6 385</b><br><b>2 066</b> | 6 000<br>2 066     |
| Michael Chaney <sup>(2)</sup>      | <i>12 338</i>   | <b>12 338</b>                 | <i>4 338</i>                 | Miklos Salamon <sup>(7)</sup>        | 977 282              | <b>977 282</b>               | –                  |
| David Crawford <sup>(2)</sup>      | <i>29 127</i>   | <b>29 127</b>                 | <i>16 127</i>                | John Schubert                        | 23 675               | <b>23 675</b>                | 23 675             |
| Charles Goodyear <sup>(2)</sup>    | 2 000 <sup>(3)</sup><br><i>247 813</i> <sup>(4)</sup> | <b>247 813</b> <sup>(4)</sup> | <i>82 604</i> <sup>(5)</sup> |                                      |                      |                              |                    |

(1) Shares in BHP Billiton Limited shown in italics. All interests are beneficial.

(2) Includes shares held in name of, or on behalf of, spouse and/or nominee.

(3) Held in the form of 1000 American Depositary Shares.

(4) 82 604 held in the form of 41 302 American Depositary Shares.

(5) Held in the form of 41 302 American Depositary Shares.

(6) Appointed 1 February 2003, at which date he held no shares.

(7) Appointed 24 February 2003, at which date he held 977 282 shares.

The number of meetings of the Board and its Committees held during the 2003 financial year, as well as each Director's attendance at those meetings, is set out below.

## Attendance at Board and Board Committee meetings during the year ended 30 June 2003

|                               | Board |   | Risk Management and Audit |    | Nomination |   | Remuneration |   | Health, Safety and Environment |   |
|-------------------------------|-------|---|---------------------------|----|------------|---|--------------|---|--------------------------------|---|
|                               | A     | B | A                         | B  | A          | B | A            | B | A                              | B |
| Don Argus                     | 9     | 9 |                           |    | 5          | 5 |              |   |                                |   |
| Paul Anderson <sup>#</sup>    | 3     | 3 |                           |    |            |   |              |   |                                |   |
| David Brink                   | 9     | 8 | 13                        | 10 | 2          | 2 |              |   | 4                              | 4 |
| John Buchanan <sup>^</sup>    | 4     | 4 |                           |    | 3          | 3 | 4            | 4 |                                |   |
| Michael Chaney                | 9     | 9 |                           |    |            |   |              |   |                                |   |
| David Crawford                | 9     | 9 | 13                        | 13 |            |   |              |   |                                |   |
| Brian Gilbertson <sup>+</sup> | 4     | 4 |                           |    |            |   |              |   | 2                              | 2 |
| Charles Goodyear              | 9     | 9 |                           |    |            |   |              |   | 2                              | 2 |
| Cornelius Herkströter         | 9     | 8 | 13                        | 11 |            |   |              |   |                                |   |
| John Jackson <sup>#</sup>     | 3     | 3 |                           |    |            |   | 3            | 3 |                                |   |
| David Jenkins                 | 9     | 9 | 13                        | 13 |            |   | 5            | 5 | 2                              | 2 |
| John Ralph <sup>#</sup>       | 3     | 3 |                           |    |            |   | 3            | 3 |                                |   |
| Lord Renwick                  | 9     | 8 |                           |    | 5          | 5 | 8            | 6 |                                |   |
| Miklos Salamon <sup>◄</sup>   | 3     | 3 |                           |    |            |   |              |   |                                |   |
| John Schubert                 | 9     | 8 |                           |    | 5          | 5 | 8            | 8 |                                |   |

<sup>#</sup> Retired 4 November 2002.

<sup>^</sup> Appointed 1 February 2003.

<sup>+</sup> Resigned 5 January 2003.

<sup>◄</sup> Appointed 24 February 2003.

Column A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.

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

### Value of land

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

### Political and charitable donations

No political contributions were made during the year. The Group made charitable donations in the UK of US\$542 935 (cash) (2002: US\$482 064) and worldwide including in-kind support and administrative cost totalling US\$42 387 897 (2002: US\$40 399 528).

### Exploration, research and development

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

### Employee policies and involvement

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

BHP Billiton also provides information about issues of importance to employees via its intranet and email facilities. These are important tools for inviting employee feedback and increasing awareness of corporate and financial performance.

In addition, all BHP Billiton employees can access the Group's Annual Reports and other key publications via the intranet.

All sites have in place a range of newsletters and other communication activities to ensure that information is shared with employees and feedback is obtained.

BHP Billiton seeks to encourage the involvement of employees in the Group's performance by involving nominated employees in employee share schemes. These schemes are described on pages 120 to 128.

BHP Billiton is committed to equality in employment, as set out in its Equality in Employment Policy in the Guide to Business Conduct. Accordingly, the Group gives full and fair consideration to applications for employment made by all people. Decisions are based on aptitudes and abilities and not on attributes unrelated to job performance (including disability). Should employees become disabled during employment, they will be considered for any necessary retraining and available work within their capabilities. For the purpose of training, career development and promotion, disabled employees are treated in the same way as

other employees although reasonable modifications would be made to the workplace and employment arrangements would be made as appropriate to meet particular needs arising from a disability.

### Creditor payment policy

When BHP Billiton enters into a contract with a supplier, payment terms will be agreed when the contract begins and the supplier will be made aware of these terms. BHP Billiton does not have a specific policy towards its suppliers and does not follow any code or standard practice. However, BHP Billiton settles terms of payment with suppliers when agreeing overall terms of business and seeks to abide by the terms of the contracts to which it is bound. BHP Billiton Plc (the unconsolidated parent entity) had no trade creditors at 30 June 2003.

### Auditors

A resolution to re-appoint KPMG Audit Plc and PricewaterhouseCoopers LLP as the joint auditors of BHP Billiton Plc will be proposed at the 2003 annual general meeting in accordance with section 384 of the United Kingdom Companies Act 1985. PricewaterhouseCoopers LLP was previously appointed by the Board of BHP Billiton Plc to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers.

### Annual General Meeting

The 2003 annual general meeting will be held on Friday, 24 October 2003. The notice convening the meeting has been sent to shareholders separately with this Report, together with an explanation of the items of special business to be considered at the meeting.

By order of the Board



D R Argus  
Chairman



C W Goodyear  
Chief Executive Officer

9 September 2003

# Financial Review

## Basis of presentation of financial information

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

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

The financial information in this section has been prepared on the same basis and using the same accounting policies as were used in preparing the financial statements for the year ended 30 June 2002. In particular, the consolidated financial statements of BHP Billiton Plc include BHP Billiton Limited and its subsidiary companies and are prepared using the merger method of accounting in accordance with UK accounting standards.

## Key Financial Information for the BHP Billiton Group

| Year ended 30 June   | US\$M<br>2003 | US\$M<br>2002 | % change |
|--|---------------|---------------|----------|
| Turnover (a)   |               |               |          |
| From Continuing Operations                                 | 17 506        | 15 228        | 15.0     |
| Including Discontinued Operations                          | 17 506        | 17 778        | (1.5)    |
| EBITDA (a)(b)  |               |               |          |
| From Continuing Operations and excluding exceptional items | 5 129         | 4 697         | 9.2      |
| Including Discontinued Operations and exceptional items    | 5 110         | 4 703         | 8.7      |
| EBIT (a)(b)  |               |               |          |
| From Continuing Operations and excluding exceptional items | 3 481         | 3 102         | 12.2     |
| Including Discontinued Operations and exceptional items    | 3 462         | 2 976         | 16.3     |
| Attributable profit  |               |               |          |
| From Continuing Operations and excluding exceptional items | 1 920         | 1 866         | 2.9      |
| Including Discontinued Operations and exceptional items    | 1 901         | 1 690         | 12.5     |
| Available cash flow (c)                                    |               |               |          |
| From Continuing Operations                                 | 3 590         | 3 600         | (0.3)    |
| Including Discontinued Operations                          | 3 590         | 3 882         | (7.5)    |
| Basic earnings per share (cents)                           |               |               |          |
| From Continuing Operations and excluding exceptional items | 30.9          | 31.0          | (0.3)    |
| Including Discontinued Operations and exceptional items    | 30.6          | 28.0          | 9.3      |
| Net operating assets                                       |               |               |          |
| From Continuing Operations                                 | 20 578        | 20 146        | 2.1      |
| Including Discontinued Operations                          | 20 578        | 22 394        | (8.1)    |
| EBITDA interest cover (times) (d)                          |               |               |          |
| From Continuing Operations and excluding exceptional items | 12.7          | 10.9          | 16.5     |
| Gearing (net debt/[net debt + net assets]) (e)             | 31.9%         | 35.0%         | (8.9)    |

(a) Including share of joint ventures and associates.

(b) EBIT is earnings before interest and tax. EBITDA is EBIT before depreciation and amortisation of Group companies. Depreciation and amortisation of Group companies from Continuing Operations and excluding exceptional items was US\$1 648 million and US\$1 595 million for the years ended 30 June 2003 and 2002 respectively. Depreciation and amortisation of Group companies was US\$1 648 million and US\$1 727 million for the years ended 30 June 2003 and 2002 respectively. We believe that EBIT and EBITDA provide useful information, but should not be considered as an indication of, or alternative to, attributable profit as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.

(c) Available cash flow is operating cash flow including dividends from joint ventures and associates and after net interest and taxation. Available cash flow for BHP Steel for the year ended 30 June 2002 amounted to US\$282 million (2001: US\$397 million).

(d) For this purpose, net interest includes capitalised interest and excludes the effect of discounting on provisions and exchange differences arising from net debt.

(e) Gearing as at 30 June 2002 includes the Group's Steel business which was demerged in July 2002.

## Results for the financial year ended 2003

### Overview

Global economic conditions remained weak during the year ended 30 June 2003. In what has been a challenging climate, BHP Billiton's operating and financial results clearly demonstrate our ability to consistently generate stable cash flows, improve

underlying profitability and increase returns to shareholders whilst still continuing our investment in value accretive growth projects.

Attributable profit from Continuing Operations and excluding exceptional items was US\$1 920 million, 2.9 per cent above last year's result of US\$1 866 million.

## Earnings Before Interest and Tax (EBIT)

The following table details the approximate impact of major factors affecting EBIT (from Continuing Operations, before exceptional items) for the year ended 30 June 2003 compared with last year.

During the financial year the Group's Steel business was demerged. In order to provide meaningful comparison, the table is based on the Group's Continuing Operations.

| US\$M  |              |
|--|--------------|
| <b>EBIT from Continuing Operations and excluding exceptional items for the year ended 30 June 2002</b> | <b>3 102</b> |
| Change in volumes  | 235          |
| Change in sales prices   | 545          |
| Price-linked costs   | (160)        |
| Inflation on costs   | (275)        |
| Costs  | 360          |
| New and acquired operations  | 25           |
| Exchange rates   | (190)        |
| Ceased and sold operations   | (95)         |
| Asset sales  | (30)         |
| Exploration  | 45           |
| Other items  | (81)         |
| <b>EBIT from Continuing Operations and excluding exceptional items for the year ended 30 June 2003</b> | <b>3 481</b> |

An explanation of the factors affecting EBIT is as follows:

- Higher realised prices for petroleum products, nickel, ferrochrome, copper, hot briquetted iron and manganese alloy increased turnover by approximately US\$785 million. This increase was partly offset by lower prices for export energy coal and iron ore that decreased turnover by approximately US\$240 million.
- Favourable unit operating cost performance increased EBIT by approximately US\$360 million compared with the corresponding period. The Group's cost reduction initiatives together with increased production lowered costs by approximately US\$480 million. These factors were partially offset by higher costs at Escondida (Chile) from processing lower grade ore due to the voluntary production cut-backs and higher depreciation from the start-up of the Phase IV expansion project.
- Increases in price-linked costs depressed EBIT by approximately US\$160 million, mainly due to higher royalties and taxes for petroleum products and higher nickel ore supply costs to the Yabulu refinery (Australia).
- Inflationary pressures, principally in South Africa, and to a lesser extent in Australia, increased costs by approximately US\$275 million.
- Higher sales volumes of iron ore, energy coal, copper, aluminium, diamonds and manganese were partly offset by lower sales volumes of petroleum products, resulting in a positive net volume impact on EBIT of approximately US\$235 million.
- Exploration expense was down by approximately US\$45 million compared with the corresponding period, which included the write-off of exploration expenditure at La Granja (Peru).
- New and acquired operations increased EBIT by approximately US\$25 million due to the commencement of commercial production at Antamina (Peru) in October 2001 and the increased ownership interest in Cerrejon Coal Company (Colombia) from February 2002.
- The impact of stronger A\$/US\$, rand/US\$ and Canadian\$/US\$ exchange rates on operating costs had an unfavourable impact on EBIT of approximately US\$390 million. The conversion of rand and Australian dollar denominated net monetary liabilities at balance sheet date also had an unfavourable impact (approximately US\$60 million) on EBIT. This was partly offset by reduced losses on legacy A\$/US\$ currency hedging compared with the corresponding period of approximately US\$220 million. In addition, the lower average Colombian peso/US\$ and Brazilian real/US\$ exchange rates had a favourable impact (approximately US\$40 million) on operating costs.
- EBIT was impacted unfavourably by approximately US\$95 million from ceased/sold operations mainly due to the disposal of PT Arutmin (Indonesia), divested in November 2001 and the Rietspruit energy coal mine (South Africa), which was closed in May 2002, together with higher pension and medical plan costs at Southwest Copper (US).
- The impact of asset sales is a reduction in EBIT of approximately US\$30 million mainly from the profit on divestment of PT Arutmin in the corresponding period, partly offset by profits on sale of BHP Billiton's interests in Alumbraera (Argentina) and Agua Rica (Argentina), during the current year.

## Operating profit margin

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. The table below shows the breakdown between Group production (which includes marketing of equity production) and third party products.

|   | 2003 <sup>(a)</sup><br>US\$M | 2002 <sup>(a)</sup><br>US\$M |
|---|------------------------------|------------------------------|
| <b>Group production (including joint ventures and associates)</b>     |                              |                              |
| Turnover  | 14 124                       | 13 038                       |
| Related operating costs   | 10 755                       | 10 082                       |
| Operating profit  | 3 369                        | 2 956                        |
| Margin <sup>(b)</sup>   | 23.9%                        | 22.7%                        |
| <b>Third party products (including joint ventures and associates)</b> |                              |                              |
| Turnover  | 3 382                        | 2 190                        |
| Related operating costs   | 3 339                        | 2 162                        |
| Operating profit  | 43                           | 28                           |
| Margin <sup>(b)</sup>   | 1.3%                         | 1.3%                         |

(a) From Continuing Operations and excluding exceptional items.

(b) Operating profit divided by turnover.

### Discontinued Operations/exceptional items

The demerger of the Group's Steel business became unconditional on 1 July 2002. The contribution of the Group's Steel business in the corresponding period has been disclosed as Discontinued Operations. The 6 per cent interest in BHP Steel retained by BHP Billiton 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 current year and is disclosed as an exceptional item in relation to Discontinued Operations. The demerger was effected through a Court-approved capital reduction of A\$0.69 per BHP Billiton Limited share totalling approximately US\$1.5 billion (A\$2.6 billion) via the transfer of BHP Steel Limited shares to BHP Billiton Limited shareholders. Consequently, BHP Billiton Plc shareholders received approximately 149 million BHP Billiton Plc equalisation shares.

The major exceptional items before taxation for the year ended 30 June 2002 included charges to profit of:

- US\$101 million relating to Southwest Copper, of which US\$171 million related to the write-down in carrying values of assets, offset by a US\$70 million reduction in closure provisions;
- US\$31 million relating to charges associated with suspension of Tintaya sulphide operations; and
- US\$80 million relating to the merger and restructuring of the Group.

In June 2002, a change in legislation increased the corporation tax rate for petroleum operations in the United Kingdom from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated, with an adverse impact of US\$56 million on the results for the year ended 30 June 2002. The tax effects of other exceptional items were a benefit of US\$24 million for the year ended 30 June 2002.

After including Discontinued Operations and exceptional items, the attributable profit for the period was US\$1 901 million,

US\$211 million higher than the US\$1 690 million for the corresponding period, which included profits from Discontinued Operations of US\$68 million after tax, together with exceptional losses after tax of US\$244 million. Basic earnings per share, including Discontinued Operations and exceptional items, was 30.6 US cents per share, 9.3 per cent higher than the 28.0 US cents per share of the corresponding period.

### Merger benefits and cost savings

At the time of the merger, a target was set to capture US\$270 million of merger benefits by 30 June 2003. US\$285 million of ongoing annual benefits had been achieved by 31 December 2002, six months ahead of schedule.

A further target, to achieve additional cost savings and efficiency gains of US\$500 million by 30 June 2005, was set in our Strategic Framework in April 2002. This target is to be measured by comparing commodity-based unit costs against base year costs for the year ended 30 June 2001 after adjusting for inflation, exchange rate movements and other one-off items. During the current year, US\$310 million of annual cost savings and efficiency gains were achieved, which is additional to the US\$285 million of merger benefits captured as detailed above. These additional savings have been largely driven through the continuation of our Operating Excellence program and resulting productivity improvements across most divisions, and ongoing strategic sourcing and marketing initiatives.

### Customer Sector Group financial results

The table below provides a summary of the Customer Sector Group financial results for the year ended 30 June 2003, compared with the corresponding period.

An explanation of the major factors influencing the performance of the Customer Sector Groups is included on pages 10 to 23. An explanation of the performance of Group and Unallocated Items is provided below.

### Customer Sector Group – financial results summary to year ended 30 June 2003

| (US\$ million)                  | EBIT<br>(excluding exceptionals) |                            | EBIT<br>(including exceptionals) |                            |
|---------------------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|
|                                 | Year ended<br>30 June 2003       | Year ended<br>30 June 2002 | Year ended<br>30 June 2003       | Year ended<br>30 June 2002 |
| Petroleum                       | 1 178                            | 1 073                      | 1 178                            | 1 069                      |
| Aluminium                       | 581                              | 492                        | 581                              | 488                        |
| Base Metals                     | 286                              | 192                        | 286                              | 47                         |
| Carbon Steel Materials          | 1 045                            | 1 084                      | 1 045                            | 1 078                      |
| Diamonds and Specialty Products | 299                              | 272                        | 299                              | 266                        |
| Energy Coal                     | 190                              | 536                        | 190                              | 531                        |
| Stainless Steel Materials       | 150                              | 3                          | 150                              | –                          |
| Group and Unallocated Items     | (248)                            | (550)                      | (248)                            | (589)                      |
| Discontinued Operations         | –                                | 86                         | (19)                             | 86                         |
| BHP Billiton Group              | 3 481                            | 3 188                      | 3 462                            | 2 976                      |

### Group and Unallocated Items

The result before exceptional items for Group and Unallocated Items was an EBIT loss of US\$248 million for the year, compared with an EBIT loss of US\$550 million in the corresponding period.

Losses on legacy A\$/US\$ currency hedging were US\$86 million, compared with US\$305 million in the corresponding period. Corporate costs of US\$220 million were US\$105 million lower than the same period last year. These reductions were partly offset by the unfavourable impact of one-off items.

### Interest

Net interest from Continuing Operations, including capitalised interest and excluding discounting on provisions and exchange differences on net debt, fell from US\$432 million to US\$403 million, principally driven by lower market interest rates, lower average debt levels and management of the Group's debt portfolio.

Exchange losses on net debt were US\$140 million compared with gains of US\$180 million in the corresponding period, mainly in relation to the translation of rand denominated debt of companies which account in US dollars as their functional currency. The rand appreciated by 27 per cent during the current period compared with depreciation of 27 per cent in the corresponding period.

### Taxation

The tax charge for the year (from Continuing Operations and excluding exceptional items) was US\$984 million, representing an effective rate of 33.4 per cent. Excluding the impacts on tax of non tax-effected foreign currency adjustments, translation of tax balances and other functional currency translation adjustments, the effective rate was 26.3 per cent. The Group recognises tax losses to the extent that it can reasonably foresee future profits which can absorb those losses. Following promising progress in the Group's Gulf of Mexico (US) projects, 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.

### Cash flows

Available cash flow (after interest and tax) remained strong at US\$3 590 million.

Expenditure on growth projects and investments amounted to US\$1 995 million, including US\$814 million on petroleum projects and US\$1 181 million on minerals and other corporate projects. Maintenance capital expenditure was US\$671 million and exploration expenditure was US\$348 million, whilst disposals of fixed assets, sale of investments and associates and repayment of loans by joint ventures generated US\$792 million.

Additionally, a net cash inflow of US\$272 million was derived from the proceeds on demerger of the Group's Steel business. Whilst not reflected in cash flows, Group debt further declined by US\$232 million which was retained by BHP Steel upon demerger.

Net cash inflow before dividend payments was US\$1 640 million. After dividend payments of US\$830 million (up from US\$811 million in the prior year), net cash inflow (before management of liquid resources and financing) amounted to US\$810 million.

### Portfolio management

During the year, a number of portfolio management activities were finalised.

Proceeds of US\$345 million were received from the sale of our indirect 2.1 per cent interest in Companhia Vale do Rio Doce (CVRD), during March 2003. Our interests in the Agua Rica prospect and Alumbrera mine in Argentina were also sold during the year. These sales generated US\$136 million in cash proceeds, with an additional US\$63 million deferred for receipt until June 2005.

### Balance sheet

Total assets less current liabilities for the Group were US\$24 158 million at 30 June 2003, an increase of US\$835 million from the 30 June 2002 position.

Equity shareholders' funds for the BHP Billiton group were US\$12 013 million at 30 June 2003, a decrease of US\$343 million from the previous year. After allowing for the return of capital to shareholders associated with the BHP Steel demerger of US\$1 489 million, shareholders' funds increased by US\$1 146 million. Net debt for the BHP Billiton Group decreased by 15.4 per cent to US\$5 772 million.

As a consequence of the above, the net gearing ratio decreased to 31.9 per cent, compared with 35.0 per cent at 30 June 2002.

### Currency

The Group has adopted the US dollar as its reporting currency and, subject to some specific exceptions, its functional currency. Currency fluctuations affect the profit and loss account in two principal ways.

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

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

### International Financial Reporting Standards

The Council of the European Union announced in June 2002 that listed companies would adopt International Financial Reporting Standards (IFRS), formerly known as International Accounting Standards, from 1 January 2005. The adoption of IFRS will be first reflected in the Group's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

The transition to IFRS could have a material impact on the Group's financial position and reported results, however it is not possible to quantify the impact at this time. The Company has established a project team to manage the convergence to IFRS.

### Capital management

Moody's Investor Services upgraded our long-term credit rating to A2 from A3 and our short-term rating to P-1 from P-2 during the year ended 30 June 2003. This was as a result of the successful combination of the Group's operations following the merger, the benefits of our substantially diversified portfolio and our focus on maintaining disciplined financial policies.

The Group's stronger credit profile enabled further diversification of funding sources, resulting in the issuance of our inaugural

€750 million Eurobond under the US\$1.5 billion Euro Medium Term Note program and issuance of our inaugural US\$850 million Global Bond with a ten-year maturity.

In February 2003, a US\$2 billion commercial paper program was established and issuance from this program commenced during June 2003. This provides additional diversification of our short term funding programs and enhances flexibility.

### Dividends

An interim dividend of 7.0 US cents per fully paid ordinary share was paid in December 2002 and a final dividend of 7.5 US cents per fully paid ordinary share was paid in July 2003, bringing the declared total for the year to 14.5 US cents. This compares to total dividends declared in the corresponding period of 13.0 US cents per share. The BHP Billiton Limited dividends were fully franked for Australian taxation purposes.

Dividends for the BHP Billiton Group are determined and declared in US dollars. However, BHP Billiton Limited dividends are mainly paid in Australian dollars and BHP Billiton Plc dividends are mainly paid in pounds sterling to shareholders on the UK section of the register and South African rand to shareholders on the South African section of the register.

## Statement of Directors' Responsibilities in Respect of the Preparation of the Financial Statements

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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:

- 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

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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.

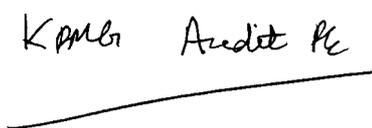
## Basis of audit opinion

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

# Financial Statements

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# Consolidated Profit and Loss Account

for the year ended 30 June 2003

|   | Notes | Continuing Operations<br>US\$M | 2003<br>Discontinued<br>Operations/<br>Exceptional<br>items <sup>(a)</sup><br>(notes 2,3)<br>US\$M | Total<br>US\$M |
|---|-------|--------------------------------|--|----------------|
| <b>Turnover (including share of joint ventures and associates)</b>                          |       |                                |  |                |
| Group production  |       | 14 124                         | –  | 14 124         |
| Third party products  | 4     | 3 382                          | –  | 3 382          |
|   | 4,5   | 17 506                         | –  | 17 506         |
| <i>less</i> Share of joint ventures' and associates' turnover included above                | 4,5   | (1 898)                        | –  | (1 898)        |
| Group turnover  | 5     | 15 608                         | –  | 15 608         |
| Net operating costs   | 7     | (12 554)                       | –  | (12 554)       |
| Group operating profit/(loss)   |       | 3 054                          | –  | 3 054          |
| Share of operating profit/(loss) of joint ventures and associates <sup>(b)</sup>            |       | 358                            | –  | 358            |
| <b>Operating profit/(loss) (including share of profit of joint ventures and associates)</b> |       | 3 412                          | –  | 3 412          |
| Comprising:   |       |                                |  |                |
| Group production  |       | 3 369                          | –  | 3 369          |
| Third party products  | 4     | 43                             | –  | 43             |
|   |       | 3 412                          | –  | 3 412          |
| Income from other fixed asset investments   |       | 16                             | –  | 16             |
| Profit on sale of fixed assets  |       | 46                             | –  | 46             |
| Profit on sale of operations  |       | 7                              | –  | 7              |
| Loss on termination of operations <sup>(c)</sup>  | 2     | –                              | –  | –              |
| Loss on sale of Discontinued Operations   | 2     | –                              | (19)   | (19)           |
| Merger transaction costs  | 2     | –                              | –  | –              |
| <b>Profit/(loss) before net interest and similar items payable and taxation</b>             |       | 3 481                          | (19)   | 3 462          |
| Net interest and similar items payable  |       |                                |  |                |
| Group   | 8     | (444)                          | –  | (444)          |
| Joint ventures and associates   | 8     | (93)                           | –  | (93)           |
| <b>Profit/(loss) before taxation</b>  | 4,5   | 2 944                          | (19)   | 2 925          |
| Taxation  | 10    | (984)                          | –  | (984)          |
| <b>Profit/(loss) after taxation</b>   |       | 1 960                          | (19)   | 1 941          |
| Equity minority interests   |       | (40)                           | –  | (40)           |
| <b>Profit/(loss) for the financial year (attributable profit)</b>                           |       | 1 920                          | (19)   | 1 901          |
| Dividends to shareholders   | 11    | (900)                          | –  | (900)          |
| <b>Retained profit/(loss) for the financial year</b>  | 24    | 1 020                          | (19)   | 1 001          |
| Earnings per ordinary share (basic) (US cents)  | 12    | 30.9                           | (0.3)  | 30.6           |
| Earnings per ordinary share (diluted) (US cents)  | 12    | 30.9                           | (0.3)  | 30.6           |
| Dividend per ordinary share (US cents)  | 11    |                                |  | 14.5           |
| Dividend per ordinary share (Australian cents) <sup>(d)</sup>                               | 11    |                                |  |                |

| 2002                  |                            |   |   |          | 2001                  |                            |   |  |          |
|-----------------------|----------------------------|---|---|----------|-----------------------|----------------------------|---|--|----------|
| Continuing Operations | Exceptional items (note 2) | Continuing Operations including exceptional items | Discontinued Operations including exceptional items <sup>(a)</sup> (note 3) | Total    | Continuing Operations | Exceptional items (note 2) | Continuing Operations including exceptional items | Discontinued Operations including exceptional items <sup>(a)</sup> (notes 2,3) | Total    |
| US\$M                 | US\$M                      | US\$M   | US\$M   | US\$M    | US\$M                 | US\$M                      | US\$M   | US\$M  | US\$M    |
| 13 038                | –                          | 13 038  | 2 550   | 15 588   | 13 838                | –                          | 13 838  | 3 214  | 17 052   |
| 2 190                 | –                          | 2 190   | –   | 2 190    | 2 027                 | –                          | 2 027   | –  | 2 027    |
| 15 228                | –                          | 15 228  | 2 550   | 17 778   | 15 865                | –                          | 15 865  | 3 214  | 19 079   |
| (1 666)               | –                          | (1 666)   | (206)   | (1 872)  | (1 094)               | –                          | (1 094)   | (196)  | (1 290)  |
| 13 562                | –                          | 13 562  | 2 344   | 15 906   | 14 771                | –                          | 14 771  | 3 018  | 17 789   |
| (10 907)              | (111)                      | (11 018)  | (2 285)   | (13 303) | (11 766)              | (38)                       | (11 804)  | (2 807)  | (14 611) |
| 2 655                 | (111)                      | 2 544   | 59  | 2 603    | 3 005                 | (38)                       | 2 967   | 211  | 3 178    |
| 329                   | –                          | 329   | 11  | 340      | 279                   | (634)                      | (355)   | 2  | (353)    |
| 2 984                 | (111)                      | 2 873   | 70  | 2 943    | 3 284                 | (672)                      | 2 612   | 213  | 2 825    |
| 2 956                 | (111)                      | 2 845   | 70  | 2 915    | 3 239                 | (672)                      | 2 567   | 213  | 2 780    |
| 28                    | –                          | 28  | –   | 28       | 45                    | –                          | 45  | –  | 45       |
| 2 984                 | (111)                      | 2 873   | 70  | 2 943    | 3 284                 | (672)                      | 2 612   | 213  | 2 825    |
| 37                    | –                          | 37  | 1   | 38       | 28                    | –                          | 28  | 4  | 32       |
| 13                    | –                          | 13  | 15  | 28       | 71                    | 128                        | 199   | 1  | 200      |
| 68                    | –                          | 68  | –   | 68       | 4                     | –                          | 4   | –  | 4        |
| –                     | (101)                      | (101)   | –   | (101)    | –                     | (430)                      | (430)   | –  | (430)    |
| –                     | –                          | –   | –   | –        | –                     | –                          | –   | –  | –        |
| –                     | –                          | –   | –   | –        | –                     | (92)                       | (92)  | –  | (92)     |
| 3 102                 | (212)                      | 2 890   | 86  | 2 976    | 3 387                 | (1 066)                    | 2 321   | 218  | 2 539    |
| (208)                 | –                          | (208)   | (4)   | (212)    | (392)                 | (6)                        | (398)   | (15)   | (413)    |
| (28)                  | –                          | (28)  | (9)   | (37)     | (49)                  | –                          | (49)  | (14)   | (63)     |
| 2 866                 | (212)                      | 2 654   | 73  | 2 727    | 2 946                 | (1 072)                    | 1 874   | 189  | 2 063    |
| (961)                 | (32)                       | (993)   | 3   | (990)    | (902)                 | 125                        | (777)   | (34)   | (811)    |
| 1 905                 | (244)                      | 1 661   | 76  | 1 737    | 2 044                 | (947)                      | 1 097   | 155  | 1 252    |
| (39)                  | –                          | (39)  | (8)   | (47)     | (21)                  | 302                        | 281   | (4)  | 277      |
| 1 866                 | (244)                      | 1 622   | 68  | 1 690    | 2 023                 | (645)                      | 1 378   | 151  | 1 529    |
| (784)                 | –                          | (784)   | –   | (784)    | (754)                 | –                          | (754)   | –  | (754)    |
| 1 082                 | (244)                      | 838   | 68  | 906      | 1 269                 | (645)                      | 624   | 151  | 775      |
| 31.0                  | (4.1)                      | 26.9  | 1.1   | 28.0     | 34.1                  | (10.9)                     | 23.2  | 2.5  | 25.7     |
| 31.0                  | (4.1)                      | 26.9  | 1.1   | 28.0     | 33.9                  | (10.8)                     | 23.1  | 2.5  | 25.6     |
|                       |                            |   |   | 13.0     |                       |                            |   |  | 12.0     |
|                       |                            |   |   |          |                       |                            |   |  | 24.7     |

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

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

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

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

The accompanying notes form part of these financial statements.

## Consolidated Statement of Total Recognised 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 <sup>(a)</sup>                       | <b>1 737</b>  | 1 465         | 1 964         | <b>164</b>                    | 225           | (435)         | <b>1 901</b>  | 1 690         | 1 529         |
| Exchange gains and losses on foreign<br>currency net investments <sup>(b)</sup> | <b>67</b>     | 25            | (712)         | –                             | –             | (51)          | <b>67</b>     | 25            | (763)         |
| <b>Total recognised gains for the financial year</b>                            | <b>1 804</b>  | 1 490         | 1 252         | <b>164</b>                    | 225           | (486)         | <b>1 968</b>  | 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.

<sup>(a)</sup> 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.

<sup>(b)</sup> 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 |
|--|-------|---------------|---------------|
| <b>Fixed assets</b>  |       |               |               |
| 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           |
| <b>Total fixed assets</b>                                    |       | <b>21 662</b> | <b>22 728</b> |
| <b>Current assets</b>  |       |               |               |
| Stocks   | 16    | 1 379         | 1 457         |
| Debtors  |       |               |               |
| Amounts due within one year                                  | 17    | 2 224         | 2 554         |
| Amounts due after more than one year                         | 17    | 1 405         | 1 197         |
|  | 17    | 3 629         | 3 751         |
| Investments  | 18    | 143           | 117           |
| Cash including money market deposits                         | 28    | 1 552         | 1 499         |
| <b>Total current assets</b>                                  |       | <b>6 703</b>  | <b>6 824</b>  |
| Creditors – amounts falling due within one year              | 19    | (4 207)       | (6 229)       |
| <b>Net current assets</b>                                    |       | <b>2 496</b>  | <b>595</b>    |
| <b>Total assets less current liabilities</b>                 |       | <b>24 158</b> | <b>23 323</b> |
| Creditors – amounts falling due after more than one year     | 20    | (6 849)       | (5 987)       |
| Provisions for liabilities and charges                       | 21    | (4 978)       | (4 654)       |
| <b>Net assets</b>  |       | <b>12 331</b> | <b>12 682</b> |
| Equity minority interests                                    |       | (318)         | (326)         |
| <b>Attributable net assets</b>                               |       | <b>12 013</b> | <b>12 356</b> |
| <b>Capital and reserves</b>                                  |       |               |               |
| 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 <sup>(a)</sup>        | 25    | (20)          | –             |
| <b>Equity shareholders' funds</b>                            | 25    | <b>12 013</b> | <b>12 356</b> |

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.)

<sup>(a)</sup> 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<br>US\$M  | 2002<br>US\$M | 2001<br>US\$M |
|---|----------------|---------------|---------------|
| <b>Net cash inflow from Group operating activities (a)</b>                                      | <b>4 793</b>   | 4 605         | 4 816         |
| <b>Dividends received from joint ventures and associates</b>                                    | <b>197</b>     | 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)          |
| <b>Net cash outflow from returns on investments and servicing of finance</b>                    | <b>(398)</b>   | (357)         | (535)         |
| Taxes paid  | (1 002)        | (606)         | (587)         |
| Refund of taxes paid  | –              | 91            | –             |
| <b>Taxation</b>   | <b>(1 002)</b> | (515)         | (587)         |
| <b>Available cash flow</b>  | <b>3 590</b>   | 3 882         | 3 848         |
| Purchases of tangible fixed assets  | (2 571)        | (2 481)       | (3 038)       |
| Exploration expenditure   | (348)          | (390)         | (341)         |
| Disposals of tangible fixed assets  | 99             | 200           | 339           |
| Purchase of investments and funding of joint ventures   | (95)           | (182)         | (677)         |
| Sale of investments and repayments by joint ventures (b)  | 560            | 232           | 82            |
| <b>Net cash outflow from capital expenditure and financial investment</b>                       | <b>(2 355)</b> | (2 621)       | (3 635)       |
| Investment in subsidiaries  | –              | (45)          | (1 567)       |
| Demerger or sale of subsidiaries (b)  | 358            | 190           | 372           |
| Net cash acquired with subsidiary   | –              | –             | 117           |
| Cash transferred on demerger or disposal (b)  | (86)           | (45)          | (61)          |
| Investment in joint ventures  | –              | (208)         | (482)         |
| Disposal of joint ventures and associates   | 133            | 70            | 193           |
| <b>Net cash inflow/(outflow) from acquisitions and disposals</b>                                | <b>405</b>     | (38)          | (1 428)       |
| <b>Net cash flow before equity dividends paid, management of liquid resources and financing</b> | <b>1 640</b>   | 1 223         | (1 215)       |
| <b>Equity dividends paid</b>  | <b>(830)</b>   | (811)         | (751)         |
| <b>Net cash flow before management of liquid resources and financing</b>                        | <b>810</b>     | 412           | (1 966)       |
| <b>Net cash (outflow)/inflow from management of liquid resources</b>                            | <b>(665)</b>   | 157           | 242           |
| Redeemable preference shares  | –              | (423)         | (425)         |
| Finance lease obligations   | –              | (28)          | (4)           |
| Debt due within one year – repayment of loans   | (2 683)        | (1 344)       | (668)         |
| Debt due within one year – drawdowns  | 1 435          | 1 657         | 849           |
| Debt due after one year – repayment of loans  | (1 438)        | (2 722)       | (998)         |
| Debt due after one year – drawdowns   | 2 263          | 2 318         | 2 072         |
| <b>Net cash outflow from debt and finance leases</b>  | <b>(423)</b>   | (542)         | 826           |
| Share repurchase scheme – BHP Billiton Plc  | (20)           | –             | 194           |
| Share buy-back program – BHP Billiton Limited   | –              | (19)          | –             |
| Issue of shares   | 172            | 140           | 732           |
| <b>Net cash inflow/(outflow) from financing</b>   | <b>(271)</b>   | (421)         | 1 752         |
| <b>(Decrease)/increase in cash in the financial year</b>  | <b>(126)</b>   | 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 |
|--|-------|---------------|---------------|---------------|
| <b>Reconciliation of net cash flow to movement in net debt</b> |       |               |               |               |
| (Decrease)/increase in cash in the financial year              |       | (126)         | 148           | 28            |
| Cash flow from debt and finance leases                         |       | 423           | 542           | (826)         |
| Cash flow from management of liquid resources                  |       | 665           | (157)         | (242)         |
| Decrease/(increase) in net debt arising from cash flows        |       | 962           | 533           | (1 040)       |
| Increase in debt from acquisition and disposal of subsidiaries |       | –             | –             | (665)         |
| Other non-cash movements                                       | 28    | 232           | –             | –             |
| (Increase)/decrease in net debt from exchange adjustments      | 28    | (144)         | (34)          | 476           |
| Decrease/(increase) in net debt                                |       | 1 050         | 499           | (1 229)       |
| Net debt at beginning of the financial year                    | 28    | (6 822)       | (7 321)       | (6 092)       |
| Net debt at end of the financial year                          | 28    | (5 772)       | (6 822)       | (7 321)       |

(a) Net cash inflow from Group operating activities

|  | 2003<br>US\$M | 2002<br>US\$M | 2001<br>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)          |
| <b>Net cash inflow from Group operating activities</b> | <b>4 793</b>  | <b>4 605</b>  | <b>4 816</b>  |

(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:

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

Subsequent events continue to bear this out:

- The initiation and continuation of the combined 'BHP Billiton' name, logo and trademarks as the approved nomenclature of the merged Group;
- The creation of a new Customer Sector Group segment structure within the BHP Billiton Group reflecting a new approach to management of customer-based groupings of assets, which reflects neither the previous approach of the BHP Billiton Plc Group 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 mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

#### 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

## Accounting Policies continued

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.

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

### 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:

- deferred and included in the measurement of the anticipated transaction when it occurs; or
- 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.

# Notes to Financial Statements

## 1 Principal subsidiaries, joint ventures, associates and joint arrangements

### Subsidiary undertakings

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

| Name   | Country of incorporation | Principal activity                        | BHP Billiton Group's effective interest |                |
|--|--------------------------|---|---|----------------|
|  |                          |   | 30 June 2003 %                          | 30 June 2002 % |
| Beswick Pty Ltd  | Australia                | Investment                                | 100                                     | 100            |
| BHP Billiton Diamonds Inc                                  | Canada                   | Diamond mining                            | 100                                     | 100            |
| BHP Billiton Finance BV                                    | Netherlands              | Finance                                   | 100                                     | 100            |
| BHP Billiton Finance Ltd                                   | Australia                | Finance                                   | 100                                     | 100            |
| BHP Billiton Finance (USA) Ltd <sup>(a)</sup>              | Australia                | Finance                                   | 100                                     | 100            |
| BHP Billiton Group Operations Pty Ltd                      | Australia                | Administrative services                   | 100                                     | 100            |
| BHP Billiton Investments (Jersey) Ltd                      | Jersey                   | Holding company                           | 100                                     | 100            |
| BHP Billiton Iron Ore Pty Ltd                              | Australia                | Management company and iron ore marketing | 100                                     | 100            |
| BHP Billiton Marketing AG                                  | Switzerland              | Marketing and trading                     | 100                                     | 100            |
| BHP Billiton Minerals Pty Ltd                              | Australia                | Iron ore, silver, lead and zinc mining    | 100                                     | 100            |
| BHP Billiton Petroleum (Americas) Inc                      | US                       | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton Petroleum (Australia) Pty Ltd                 | Australia                | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton Petroleum (Bass Strait) Pty Ltd               | Australia                | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton Petroleum (Deepwater) Inc                     | US                       | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton Petroleum (GOM) Inc                           | US                       | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton Petroleum (NWS) Pty Ltd                       | Australia                | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton Petroleum Great Britain Ltd                   | UK                       | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton Petroleum (International Exploration) Pty Ltd | Australia                | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton Petroleum (Victoria) Pty Ltd                  | Australia                | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton SA Ltd  | South Africa             | Holding and service company               | 100                                     | 100            |
| BHP Billiton Services Jersey Ltd                           | Jersey                   | Service company                           | 100                                     | 100            |
| BHP Billiton Shared Business Services Pty Ltd              | Australia                | Administrative services                   | 100                                     | 100            |
| BHP Billiton Tintaya SA                                    | Peru                     | Copper mining                             | 99.95                                   | 99.95          |
| BHP Billiton Transport and Logistics Pty Ltd               | Australia                | Transport services                        | 100                                     | 100            |
| BHP Billiton (Trinidad – 2c) Ltd                           | Canada                   | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Billiton World Exploration Inc                         | Canada                   | Exploration                               | 100                                     | 100            |
| BHP Coal Holding Pty Ltd                                   | Australia                | Holding company                           | 100                                     | 100            |
| BHP Coal Pty Ltd   | Australia                | Holding company and coal mining           | 100                                     | 100            |
| BHP Copper Inc   | US                       | Holding company and copper mining         | 100                                     | 100            |
| BHP Development Finance Pty Ltd                            | Australia                | Finance                                   | 100                                     | 100            |
| BHP Holdings (USA) Inc                                     | US                       | Holding company                           | 100                                     | 100            |
| BHP International Finance Corporation                      | US                       | Finance                                   | 100                                     | 100            |
| BHP Minerals Exploration Inc                               | US                       | Holding company                           | 100                                     | 100            |
| BHP Mitsui Coal Pty Ltd                                    | Australia                | Holding company and coal mining           | 80                                      | 80             |
| BHP Navajo Coal Company                                    | US                       | Coal mining                               | 100                                     | 100            |
| BHP Nominees Pty Ltd                                       | Australia                | Holding company                           | 100                                     | 100            |
| BHP Operations Inc   | US                       | Finance                                   | 100                                     | 100            |
| BHP Petroleum (Pakistan) Pty Ltd                           | Australia                | Hydrocarbons exploration and production   | 100                                     | 100            |
| BHP Queensland Coal Investments Pty Ltd                    | Australia                | Holding company and coal mining           | 100                                     | 100            |
| BHP Queensland Coal Ltd                                    | US                       | Coal mining                               | 100                                     | 100            |

## Notes to Financial Statements continued

### 1 Principal subsidiaries, joint ventures, associates and joint arrangements continued

#### Subsidiary undertakings continued

| Name   | Country of incorporation | Principal activity                         | BHP Billiton Group's effective interest |                |
|--|--------------------------|--|---|----------------|
|  |                          |  | 30 June 2003 %                          | 30 June 2002 % |
| BHP Steel (AIS) Pty Ltd <sup>(b)</sup>       | Australia                | Iron and steel production and coal mining  | –                                       | 100            |
| BHP Steel Investments Inc <sup>(b)</sup>     | US                       | Steel production                           | –                                       | 100            |
| BHP Steel Ltd <sup>(b)</sup>                 | Australia                | Rollforming and coating of sheet steel     | –                                       | 100            |
| BHP Steel Malaysia Sdn Bhd <sup>(b)</sup>    | Malaysia                 | Steel coating                              | –                                       | 60             |
| BHP Steel Thailand Ltd <sup>(b)</sup>        | Thailand                 | Steel coating                              | –                                       | 87.5           |
| BHP (USA) Investments Inc                    | US                       | Investment                                 | 100                                     | 100            |
| Billiton Aluminium Australia Pty Ltd         | Australia                | Bauxite mining and alumina refining        | 100                                     | 100            |
| Billiton Aluminium South Africa Ltd          | South Africa             | Aluminium smelting                         | 100                                     | 100            |
| Billiton Coal Australia Pty Ltd              | Australia                | Coal mining                                | 100                                     | 100            |
| Billiton Development BV                      | Netherlands              | Exploration                                | 100                                     | 100            |
| Billiton Marketing Holding BV                | Netherlands              | Marketing and trading                      | 100                                     | 100            |
| Billiton Metais SA                           | Brazil                   | Alumina refining and aluminium smelting    | 100                                     | 100            |
| Broken Hill Proprietary (USA) Inc            | US                       | Service company                            | 100                                     | 100            |
| Cerro Matoso SA                              | Colombia                 | Nickel mining and ferro-nickel smelting    | 99.8                                    | 99.8           |
| Compania Minera Cerro Colorado Limitada      | Chile                    | Copper mining                              | 100                                     | 100            |
| Compania Minera Riochilex SA                 | Chile                    | Copper exploration                         | 100                                     | 100            |
| Dia Met Minerals Ltd                         | Canada                   | Diamond mining                             | 100                                     | 100            |
| Endeavour Coal Pty Ltd                       | Australia                | Coal mining                                | 100                                     | 100            |
| 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 <sup>(b)</sup>        | Indonesia                | Steel coating                              | –                                       | 74             |
| QNI Pty Ltd                                  | Australia                | Holding company                            | 100                                     | 100            |
| QNI Resources Pty Ltd                        | Australia                | Nickel refining                            | 100                                     | 100            |
| QNI Metals Pty Ltd                           | Australia                | Nickel refining                            | 100                                     | 100            |
| Rio Algom Limited                            | Canada                   | Holding company                            | 100                                     | 100            |
| Samancor Limited                             | South Africa             | Chrome and manganese mining and production | 60                                      | 60             |
| Samancor AG                                  | Switzerland              | Marketing and trading                      | 60                                      | 60             |
| San Juan Coal Company                        | US                       | Coal mining                                | 100                                     | 100            |
| San Juan Transportation Company              | US                       | Coal transportation                        | 100                                     | 100            |
| Tasmanian Electro Metallurgical Co Pty Ltd   | Australia                | Manganese alloys                           | 60                                      | 60             |
| Tasman Steel Holdings Limited <sup>(b)</sup> | 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.

<sup>(a)</sup> 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.

<sup>(b)</sup> Attributable to Discontinued Operations. Refer note 3.

## 1 Principal subsidiaries, joint ventures, associates and joint arrangements continued

### Joint ventures

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

| Name                                     | Country of incorporation | Principal activity                  | BHP Billiton Group's effective interest |                |
|--|--------------------------|-------------------------------------|---|----------------|
|  |                          |                                     | 30 June 2003 %                          | 30 June 2002 % |
| Minera Antamina SA                       | Peru                     | Copper and zinc mining              | 34                                      | 34             |
| Carbones del Cerrejon LLC <sup>(a)</sup> | Colombia                 | Coal mining                         | 33                                      | 33             |
| Highland Valley Copper                   | Canada                   | Copper mining                       | 34                                      | 34             |
| North Star BHP Steel <sup>(b)</sup>      | US                       | Steel manufacturing – flat products | –                                       | 50             |
| Orinoco Iron CA                          | Venezuela                | HBI production                      | 50                                      | 50             |
| Richards Bay Minerals <sup>(c)</sup>     | 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             |
| Integrus Metals                          | US                       | Metals distribution                 | 50                                      | 50             |

<sup>(a)</sup> 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.

<sup>(b)</sup> Attributable to Discontinued Operations. Refer note 3.

<sup>(c)</sup> Richards Bay Minerals comprises two legal entities as follows:

| Name   | Country of incorporation | Principal activity                  | BHP Billiton Group's effective interest |                |
|--|--------------------------|-------------------------------------|---|----------------|
|  |                          |                                     | 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:

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

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

## Notes to Financial Statements continued

### 1 Principal subsidiaries, joint ventures, associates and joint arrangements continued

#### Proportionally included joint arrangements

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

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

## 2 Exceptional items

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

|   | Gross<br>2002<br>US\$M | Tax<br>2002<br>US\$M | Net<br>2002<br>US\$M |
|---|------------------------|----------------------|----------------------|
| <b>Exceptional items by category</b>                                  |                        |                      |                      |
| <b>Termination of operations</b>                                      |                        |                      |                      |
| <i>Write-down in carrying values of assets</i>                        |                        |                      |                      |
| Base Metals   |                        |                      |                      |
| Southwest Copper assets (b)   | (171)                  | –                    | (171)                |
| <i>Reductions in provisions</i>                                       |                        |                      |                      |
| Base Metals   |                        |                      |                      |
| Southwest Copper closure provisions (b)                               | 70                     | –                    | 70                   |
|   | (101)                  | –                    | (101)                |
| <b>Exceptional taxation items</b>                                     |                        |                      |                      |
| Group and unallocated items   |                        |                      |                      |
| Change in UK tax rate on petroleum operations (c)                     |                        | (56)                 | (56)                 |
|   |                        | (56)                 | (56)                 |
| <b>Other exceptional items</b>  |                        |                      |                      |
| <i>Suspension of operations</i>                                       |                        |                      |                      |
| Base Metals   |                        |                      |                      |
| Charges associated with suspension of Tintaya sulphide operations (d) | (31)                   | 9                    | (22)                 |
|   | (31)                   | 9                    | (22)                 |
| <i>Merger related restructuring costs</i>                             |                        |                      |                      |
| 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)                 |
| <b>Total by category</b>  | <b>(212)</b>           | <b>(32)</b>          | <b>(244)</b>         |

## Notes to Financial Statements continued

### 2 Exceptional items continued

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

|  | Gross<br>2001<br>US\$M | Tax<br>2001<br>US\$M | Net<br>2001<br>US\$M |
|--|------------------------|----------------------|----------------------|
| <b>Exceptional items by category</b>                     |                        |                      |                      |
| <b><i>Sale of fixed assets</i></b>                       |                        |                      |                      |
| Carbon Steel Materials                                   |                        |                      |                      |
| Equalisation of Queensland Coal interests <sup>(e)</sup> | 128                    | –                    | 128                  |
|  | 128                    | –                    | 128                  |
| <b><i>Termination of operations</i></b>                  |                        |                      |                      |
| Group and unallocated items                              |                        |                      |                      |
| Ok Tedi copper mine <sup>(f)</sup>                       | (430)                  | 14                   | (416)                |
|  | (430)                  | 14                   | (416)                |
| <b><i>Merger transaction costs</i></b>                   |                        |                      |                      |
| Group and unallocated items                              | (92)                   | –                    | (92)                 |
|  | (92)                   | –                    | (92)                 |
| <b><i>Exceptional taxation items</i></b>                 |                        |                      |                      |
| Group and unallocated items                              |                        |                      |                      |
| Income tax audit <sup>(g)</sup>                          |                        | (33)                 | (33)                 |
|  |                        | (33)                 | (33)                 |
| <b><i>Other exceptional items</i></b>                    |                        |                      |                      |
| <b><i>Restructuring costs and provisions</i></b>         |                        |                      |                      |
| Discontinued Operations <sup>(h)</sup>                   | (22)                   | 7                    | (15)                 |
| <b><i>Merger related restructuring costs</i></b>         |                        |                      |                      |
| 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)                 |

## 2 Exceptional items continued

|   | Gross<br>2001<br>US\$M | Tax<br>2001<br>US\$M | Net<br>2001<br>US\$M |
|---|------------------------|----------------------|----------------------|
| <b>Exceptional items by category</b> continued                |                        |                      |                      |
| <i>Write-down in carrying values of assets and provisions</i> |                        |                      |                      |
| Group and unallocated items                                   |                        |                      |                      |
| HBI Venezuela <sup>(i)</sup>                                  | (520)                  | 110                  | (410)                |
| Energy Coal   |                        |                      |                      |
| Lakes Mines   | (26)                   | 6                    | (20)                 |
| Stainless Steel Materials                                     |                        |                      |                      |
| Columbus JV   | (114)                  | 30                   | (84)                 |
|   | (660)                  | 146                  | (514)                |
| <i>Sale of expansion rights</i>                               |                        |                      |                      |
| Aluminium   |                        |                      |                      |
| Mozal II <sup>(i)</sup>                                       | 61                     | (21)                 | 40                   |
|   | 61                     | (21)                 | 40                   |
| <i>Employee share awards accelerated by merger</i>            |                        |                      |                      |
| Aluminium   | (8)                    | 2                    | (6)                  |
| Base Metals   | (1)                    | –                    | (1)                  |
| Carbon Steel Materials  | (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)                 |
| <b>Total by category</b>                                      | (1 094)                | 132                  | (962)                |
| <b>Exceptional items by Customer Sector Group</b>             |                        |                      |                      |
| 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 <sup>(h)</sup>                        | (22)                   | 7                    | (15)                 |
| Group and unallocated items                                   | (1 067)                | 98                   | (969)                |
| Net interest  | (6)                    | –                    | (6)                  |
| <b>Total by Customer Sector Group</b>                         | (1 094)                | 132                  | (962)                |

### 2 Exceptional items continued

- (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<br>US\$M |
|--|---------------|
| <b>Balance sheet</b>   |               |
| 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 <sup>(a)</sup>                 | 1 567         |

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

## Notes to Financial Statements continued

### 4 Analysis by business segment

|   | External turnover<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 |
|---|----------------------------|---------------------------------|--|--|--|----------------------------------|------------------------------|
| <b>Group including joint ventures and associates (a)(b)</b> |                            |                                 |  |  |  |                                  |                              |
| <b>Year ended 30 June 2003</b>                              |                            |                                 |  |  |  |                                  |                              |
| Petroleum   | 3 260                      | 4                               | 1 178                                  | 3 293  | 549                                    | 50                               | 861                          |
| Aluminium   | 3 386                      | –                               | 581                                    | 5 095  | 233                                    | –                                | 462                          |
| Base Metals (c)   | 1 954                      | –                               | 286                                    | 3 877  | 257                                    | (2)                              | 201                          |
| Carbon Steel Materials                                      | 3 688                      | 26                              | 1 045                                  | 2 567  | 192                                    | 7                                | 479                          |
| Diamonds and Specialty Products                             | 1 474                      | 11                              | 299                                    | 1 518  | 105                                    | –                                | 101                          |
| Energy Coal   | 2 089                      | –                               | 190                                    | 2 193  | 177                                    | 2                                | 300                          |
| Stainless Steel Materials                                   | 1 106                      | –                               | 150                                    | 1 695  | 96                                     | 10                               | 121                          |
| Group and unallocated items                                 | 549                        | 465                             | (248)                                  | 340  | 39                                     | 66                               | 46                           |
| Exceptional items   |                            |                                 | –                                      |  |  |                                  |                              |
| Total Continuing Operations                                 | 17 506                     | 506                             | 3 481                                  | 20 578                                       | 1 648                                  | 133                              | 2 571                        |
| Discontinued Operations (d)                                 | –                          | –                               | (19)                                   | –  | –                                      | –                                | –                            |
| Net interest  |                            |                                 | (537)                                  |  |  |                                  |                              |
| <b>Total BHP Billiton Group</b>                             | <b>17 506</b>              | <b>506</b>                      | <b>2 925</b>                           | <b>20 578</b>                                | <b>1 648</b>                           | <b>133</b>                       | <b>2 571</b>                 |
| <b>Year ended 30 June 2002</b>                              |                            |                                 |  |  |  |                                  |                              |
| 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)                                  |  |  |                                  |                              |
| <b>Total BHP Billiton Group</b>                             | <b>17 778</b>              | <b>568</b>                      | <b>2 727</b>                           | <b>22 394</b>                                | <b>1 727</b>                           | <b>263</b>                       | <b>2 481</b>                 |

#### 4 Analysis by business segment continued

|  | 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 |
|--|----------------------------|---------------------------------|--|--|--|----------------------------------|------------------------------|
| <b>Group including joint ventures and associates</b> <sup>(a)(b)</sup> continued |                            |                                 |  |  |  |                                  |                              |
| <b>Year ended 30 June 2001</b>   |                            |                                 |  |  |  |                                  |                              |
| Petroleum  | 3 340                      | 21                              | 1 407                                  | 2 504  | 500                                    | (4)                              | 432                          |
| Aluminium  | 2 971                      | –                               | 523                                    | 4 730  | 198                                    | –                                | 1 635                        |
| Base Metals <sup>(c)</sup>   | 1 719                      | –                               | 452                                    | 3 785  | 216                                    | 1                                | 270                          |
| Carbon Steel Materials   | 3 165                      | 184                             | 918                                    | 2 226  | 186                                    | 31                               | 184                          |
| Diamonds and Specialty Products  | 1 313                      | 5                               | 188                                    | 1 488  | 38                                     | 4                                | 36                           |
| Energy Coal  | 1 982                      | –                               | 382                                    | 1 986  | 184                                    | –                                | 171                          |
| Stainless Steel Materials  | 994                        | –                               | 72                                     | 1 736  | 82                                     | 4                                | 212                          |
| Group and unallocated items  | 381                        | 368                             | (555)                                  | 1 143  | 106                                    | 80                               | 39                           |
| Exceptional items  |                            |                                 | (1 066)                                |  |  | 546                              |                              |
| Total Continuing Operations  | 15 865                     | 578                             | 2 321                                  | 19 598                                       | 1 510                                  | 662                              | 2 979                        |
| Discontinued Operations <sup>(d)</sup>   | 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<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 |
| <b>Joint ventures and associates</b> <sup>(e)(f)(g)</sup> |                   |               |               |                               |               |               |                                     |               |               |
| Petroleum   | –                 | –             | –             | –                             | –             | –             | 70                                  | 25            | –             |
| Aluminium   | –                 | 40            | 32            | –                             | –             | 1             | –                                   | –             | 4             |
| Base Metals <sup>(c)</sup>                                | 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 <sup>(d)</sup>                    | –                 | 206           | 196           | –                             | 11            | 2             | –                                   | 172           | 245           |
| Net interest  |                   |               |               | (93)                          | (37)          | (63)          |                                     |               |               |
| Total BHP Billiton Group                                  | 1 898             | 1 872         | 1 290         | 265                           | 303           | (416)         | 2 407                               | 2 916         | 2 555         |

## Notes to Financial Statements continued

### 4 Analysis by business segment continued

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

(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

|  | 2003<br>US\$M | Group<br>2002<br>US\$M | 2001<br>US\$M | Joint ventures and associates |               |               | 2003<br>US\$M | Total<br>2002<br>US\$M | 2001<br>US\$M |
|--|---------------|------------------------|---------------|-------------------------------|---------------|---------------|---------------|------------------------|---------------|
|  |               |                        |               | 2003<br>US\$M                 | 2002<br>US\$M | 2001<br>US\$M |               |                        |               |
| <b>Analysis by geographical market</b> |               |                        |               |                               |               |               |               |                        |               |
| <b>Turnover</b>                        |               |                        |               |                               |               |               |               |                        |               |
| <i>Continuing Operations</i>           |               |                        |               |                               |               |               |               |                        |               |
| 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         |
| <b>Total Continuing Operations</b>     | <b>15 608</b> | <b>13 562</b>          | <b>14 771</b> | <b>1 898</b>                  | <b>1 666</b>  | <b>1 094</b>  | <b>17 506</b> | <b>15 228</b>          | <b>15 865</b> |
| <i>Discontinued Operations</i>         |               |                        |               |                               |               |               |               |                        |               |
| 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           |
| <b>Discontinued Operations (a)</b>     | <b>–</b>      | <b>2 344</b>           | <b>3 018</b>  | <b>–</b>                      | <b>206</b>    | <b>196</b>    | <b>–</b>      | <b>2 550</b>           | <b>3 214</b>  |
| <b>Total by geographical market</b>    | <b>15 608</b> | <b>15 906</b>          | <b>17 789</b> | <b>1 898</b>                  | <b>1 872</b>  | <b>1 290</b>  | <b>17 506</b> | <b>17 778</b>          | <b>19 079</b> |
| <b>Analysis by geographical origin</b> |               |                        |               |                               |               |               |               |                        |               |
| <b>Turnover</b>                        |               |                        |               |                               |               |               |               |                        |               |
| <i>Continuing Operations</i>           |               |                        |               |                               |               |               |               |                        |               |
| 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           |
| <b>Total Continuing Operations</b>     | <b>15 608</b> | <b>13 562</b>          | <b>14 771</b> | <b>1 898</b>                  | <b>1 666</b>  | <b>1 094</b>  | <b>17 506</b> | <b>15 228</b>          | <b>15 865</b> |
| <i>Discontinued Operations</i>         |               |                        |               |                               |               |               |               |                        |               |
| 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           |
| <b>Discontinued Operations (a)</b>     | <b>–</b>      | <b>2 344</b>           | <b>3 018</b>  | <b>–</b>                      | <b>206</b>    | <b>196</b>    | <b>–</b>      | <b>2 550</b>           | <b>3 214</b>  |
| <b>Total by geographical origin</b>    | <b>15 608</b> | <b>15 906</b>          | <b>17 789</b> | <b>1 898</b>                  | <b>1 872</b>  | <b>1 290</b>  | <b>17 506</b> | <b>17 778</b>          | <b>19 079</b> |

## Notes to Financial Statements continued

### 5 Analysis by geographical segment continued

|  | 2003          | Group         | 2001          | Joint ventures and associates |              |              | 2003          | Total         | 2001          |
|--|---------------|---------------|---------------|-------------------------------|--------------|--------------|---------------|---------------|---------------|
|  | US\$M         | 2002          |               | US\$M                         | 2003         | 2002         | 2001          | 2003          |               |
|  | US\$M         | US\$M         | US\$M         | US\$M                         | US\$M        | US\$M        | US\$M         | US\$M         | US\$M         |
| <b>Profit/(loss) before taxation</b>       |               |               |               |                               |              |              |               |               |               |
| <i>Continuing Operations</i>               |               |               |               |                               |              |              |               |               |               |
| 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)         |
| <b>Total Continuing Operations</b>         | <b>3 123</b>  | <b>2 561</b>  | <b>2 676</b>  | <b>358</b>                    | <b>329</b>   | <b>(355)</b> | <b>3 481</b>  | <b>2 890</b>  | <b>2 321</b>  |
| <i>Discontinued Operations</i>             |               |               |               |                               |              |              |               |               |               |
| Australia                                  | (19)          | 25            | 163           | –                             | –            | –            | (19)          | 25            | 163           |
| Europe                                     | –             | 3             | 3             | –                             | –            | –            | –             | 3             | 3             |
| North America                              | –             | 10            | (12)          | –                             | 11           | 2            | –             | 21            | (10)          |
| Rest of World                              | –             | 37            | 62            | –                             | –            | –            | –             | 37            | 62            |
| <b>Discontinued Operations (a)</b>         | <b>(19)</b>   | <b>75</b>     | <b>216</b>    | <b>–</b>                      | <b>11</b>    | <b>2</b>     | <b>(19)</b>   | <b>86</b>     | <b>218</b>    |
| Net interest                               | (444)         | (212)         | (413)         | (93)                          | (37)         | (63)         | (537)         | (249)         | (476)         |
| <b>Total by geographical origin</b>        | <b>2 660</b>  | <b>2 424</b>  | <b>2 479</b>  | <b>265</b>                    | <b>303</b>   | <b>(416)</b> | <b>2 925</b>  | <b>2 727</b>  | <b>2 063</b>  |
| <b>Net operating assets</b> (refer note 6) |               |               |               |                               |              |              |               |               |               |
| <i>Continuing Operations</i>               |               |               |               |                               |              |              |               |               |               |
| Australia                                  | 6 828         | 6 578         | 6 654         | (3)                           | 3            | –            | 6 825         | 6 581         | 6 654         |
| Europe                                     | 654           | 621           | 731           | 2                             | –            | –            | 656           | 621           | 731           |
| North America                              | 1 340         | 1 122         | 1 245         | 429                           | 520          | 158          | 1 769         | 1 642         | 1 403         |
| South America (b)                          | 4 503         | 4 909         | 4 482         | 1 661                         | 1 896        | 1 685        | 6 164         | 6 805         | 6 167         |
| Southern Africa                            | 4 117         | 3 804         | 3 844         | 318                           | 325          | 467          | 4 435         | 4 129         | 4 311         |
| Rest of World                              | 729           | 368           | 332           | –                             | –            | –            | 729           | 368           | 332           |
| <b>Total Continuing Operations</b>         | <b>18 171</b> | <b>17 402</b> | <b>17 288</b> | <b>2 407</b>                  | <b>2 744</b> | <b>2 310</b> | <b>20 578</b> | <b>20 146</b> | <b>19 598</b> |
| <i>Discontinued Operations</i>             |               |               |               |                               |              |              |               |               |               |
| 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           |
| <b>Discontinued Operations (a)</b>         | <b>–</b>      | <b>2 076</b>  | <b>1 869</b>  | <b>–</b>                      | <b>172</b>   | <b>245</b>   | <b>–</b>      | <b>2 248</b>  | <b>2 114</b>  |
| <b>Total by geographical origin</b>        | <b>18 171</b> | <b>19 478</b> | <b>19 157</b> | <b>2 407</b>                  | <b>2 916</b> | <b>2 555</b> | <b>20 578</b> | <b>22 394</b> | <b>21 712</b> |

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

## 7 Net operating costs

|   | 2003<br>US\$M | 2002<br>US\$M | 2001<br>US\$M |
|---|---------------|---------------|---------------|
| Change in stocks of finished goods and work in progress     | <b>(158)</b>  | (99)          | (37)          |
| Raw materials and consumables                               | <b>2 450</b>  | 3 240         | 2 521         |
| External services (including transportation)                | <b>2 539</b>  | 2 950         | 2 381         |
| Staff costs (refer note 9)                                  | <b>1 746</b>  | 2 049         | 2 124         |
| Amortisation of goodwill and negative goodwill              | <b>2</b>      | 3             | 6             |
| Depreciation of tangible fixed assets                       | <b>1 646</b>  | 1 724         | 1 666         |
| Impairment charge   | <b>73</b>     | 119           | 34            |
| Other operating income                                      | <b>(147)</b>  | (163)         | (206)         |
| Resource rent taxes   | <b>467</b>    | 405           | 641           |
| Operating lease charges                                     | <b>127</b>    | 228           | 303           |
| Government royalties paid and payable                       | <b>352</b>    | 294           | 235           |
| HBI Venezuela guarantee                                     | –             | –             | 330           |
| Other operating charges                                     | <b>3 457</b>  | 2 553         | 4 613         |
| Group (a)   | <b>12 554</b> | 13 303        | 14 611        |
| Joint ventures and associates                               | <b>1 540</b>  | 1 532         | 1 643         |
| Operating costs including joint ventures and associates (b) | <b>14 094</b> | 14 835        | 16 254        |
| Other operating lease charges include the following:        |               |               |               |
| Operating lease charges:                                    |               |               |               |
| Land and buildings  | <b>47</b>     | 24            | 49            |
| Plant and equipment   | <b>75</b>     | 79            | 158           |
| Other lease charges   | <b>5</b>      | 125           | 96            |
|   | <b>127</b>    | 228           | 303           |

## Notes to Financial Statements continued

### 7 Net operating costs continued

|  | 2003<br>US\$M | 2002<br>US\$M | 2001<br>US\$M |
|--|---------------|---------------|---------------|
| 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           |
|  | <b>8.5</b>    | <b>9.9</b>    | <b>8.3</b>    |
| Fees payable by the BHP Billiton Group to auditors for other services: |               |               |               |
| Joint auditors of BHP Billiton Plc (including overseas firms) (c)      |               |               |               |
| Audit-related services (d)   |               |               |               |
| KPMG   | 0.6           | 1.0           | 4.4           |
| PricewaterhouseCoopers   | 1.6           | 1.0           | 4.9           |
| Information systems design and implementation (e)                      |               |               |               |
| KPMG   | 0.7           | 5.7           | 1.1           |
| Taxation services (f)  |               |               |               |
| KPMG   | 2.0           | 1.6           | 1.4           |
| PricewaterhouseCoopers   | 1.3           | 1.4           | 2.2           |
| Other services (g)   |               |               |               |
| KPMG   | 0.6           | 2.6           | 3.2           |
| PricewaterhouseCoopers   | 0.1           | 1.8           | 4.3           |
|  | <b>6.9</b>    | <b>15.1</b>   | <b>21.5</b>   |
| Other audit firms  |               |               |               |
| Other services   | 1.4           | 4.4           | 6.0           |
|  | <b>16.8</b>   | <b>29.4</b>   | <b>35.8</b>   |

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

|   | 2003<br>US\$M | 2002<br>US\$M | 2001<br>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           |
|   | –             | <b>2 285</b>  | <b>2 807</b>  |

(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<br>US\$M | 2002<br>US\$M | 2001<br>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             |
|  | <b>376</b>    | 477           | 584           |
| Dividends on redeemable preference shares                    | 24            | 39            | 83            |
| Discounting on provisions (refer note 21)                    | 97            | 42            | 39            |
| <i>less</i> Amounts capitalised <sup>(a)</sup>               | <b>(103)</b>  | (58)          | (39)          |
|  | <b>394</b>    | 500           | 667           |
| Share of interest of joint ventures and associates           | 68            | 71            | 94            |
|  | <b>462</b>    | 571           | 761           |
| Interest received/receivable                                 | <b>(65)</b>   | (142)         | (136)         |
|  | <b>397</b>    | 429           | 625           |
| Exchange differences on net debt <sup>(b)</sup>              |               |               |               |
| Group  | 115           | (146)         | (118)         |
| Joint ventures and associates                                | 25            | (34)          | (31)          |
|  | <b>140</b>    | (180)         | (149)         |
| <b>Net interest and similar items payable <sup>(c)</sup></b> | <b>537</b>    | 249           | 476           |

<sup>(a)</sup> 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).

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

<sup>(c)</sup> Disclosed in the profit and loss account as:

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

**9 Employees**

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

|  | 2003<br>US\$M | 2002<br>US\$M | 2001<br>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           |
|  | <b>1 746</b>  | 2 049         | 2 124         |

Details for each Director, of remuneration, pension entitlements and interests in share options are set out on pages 46 to 62. This information forms part of the accounts.

## 10 Taxation

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

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

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

## Notes to Financial Statements continued

### 10 Taxation continued

|  | 2003<br>US\$M | 2002<br>US\$M | 2001<br>US\$M |
|--|---------------|---------------|---------------|
| <b>Factors affecting tax charge for the financial year</b>   |               |               |               |
| The tax assessed is different than the standard rate of corporation tax in the UK (30%).<br>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           |
| <b>Permanent differences</b>   |               |               |               |
| Investment and development allowance   | (9)           | (10)          | (19)          |
| Amounts over provided in prior years   | (105)         | (23)          | 5             |
| Recognition of prior year tax losses   | (188)         | (103)         | (133)         |
| Non-deductible accounting depreciation and amortisation  | 76            | 54            | 32            |
| Non-deductible dividends on redeemable preference shares   | 8             | 13            | 24            |
| Non tax-effected operating losses  | 109           | 69            | 47            |
| Tax rate differential on non-UK income   | (18)          | (1)           | 57            |
| Non tax-effected capital gains   | (2)           | (12)          | (63)          |
| Foreign expenditure including exploration not presently deductible   | 4             | 16            | 57            |
| South African secondary tax on companies   | 16            | 48            | 46            |
| Foreign exchange gains and other translation adjustments   | 210           | (2)           | (113)         |
| Non-deductible merger transaction costs  | –             | –             | 28            |
| Tax rate changes   | (1)           | 59            | (22)          |
| Investment and asset impairments   | –             | 32            | 176           |
| Other  | 6             | 32            | 70            |
| <b>Total permanent differences</b>   | <b>106</b>    | <b>172</b>    | <b>192</b>    |
| <b>Deferred tax movements taken to the profit and loss account</b>   |               |               |               |
| 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           |
| <b>Total timing differences</b>  | <b>(115)</b>  | <b>(218)</b>  | <b>50</b>     |
| 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)          |
| <b>Tax on profit on ordinary activities</b>  | <b>984</b>    | <b>990</b>    | <b>811</b>    |

## 10 Taxation continued

|   | 2003<br>US\$M | 2002<br>US\$M  |
|---|---------------|----------------|
| <b>Provision for deferred tax</b>                                     |               |                |
| <i>Future income tax benefit at year end comprises:</i>               |               |                |
| <i>Timing differences</i>   |               |                |
| 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            |
| <b>Total future income tax benefit</b>                                | <b>447</b>    | <b>480</b>     |
| <i>Provision for deferred tax at year end comprises:</i>              |               |                |
| Accelerated capital allowances  | 1 280         | 1 641          |
| Exploration expenditure   | 44            | 23             |
| Employee entitlements   | (21)          | (36)           |
| Site rehabilitation   | (82)          | (49)           |
| Resource rent tax   | (4)           | (31)           |
| Deferred income   | –             | (98)           |
| Other provisions  | 15            | –              |
| Foreign exchange losses/(gains)                                       | (230)         | (17)           |
| Deferred charges  | 45            | 42             |
| Foreign tax   | 219           | 128            |
| Other   | 150           | 32             |
| Tax-effected losses   | (3)           | (48)           |
| <b>Total provision for deferred tax</b>                               | <b>1 413</b>  | <b>1 587</b>   |
| <b>Net provision for deferred tax</b>                                 | <b>966</b>    | <b>1 107</b>   |
| <b>Provision at start of the financial year</b>                       | <b>1 107</b>  | <b>881</b>     |
| 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             |
| <b>Net provision at end of the financial year</b>                     | <b>966</b>    | <b>1 107</b>   |
| This provision is included within                                     |               |                |
| Debtors (refer note 17)   | 447           | 480            |
| Provisions for liabilities and charges (refer note 21)                | (1 413)       | (1 587)        |
|   | <b>(966)</b>  | <b>(1 107)</b> |

### 10 Taxation continued

#### **Factors that may affect future tax charges**

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

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

As at 30 June 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.

## 10 Taxation continued

### Tax losses

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

| Year of expiry            | Australian losses<br>US\$M | UK losses<br>US\$M | Other foreign losses<br>US\$M | Total losses<br>US\$M |
|---------------------------|----------------------------|--------------------|-------------------------------|-----------------------|
| <b>Income tax losses</b>  |                            |                    |                               |                       |
| 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                   |
| <b>Capital tax losses</b> |                            |                    |                               |                       |
| Unlimited                 | 540                        | 11                 | 62                            | 613                   |
|                           | 631                        | 139                | 1 669                         | 2 439                 |

## 11 Dividends

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

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

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

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

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

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

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

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

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

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

## Notes to Financial Statements continued

### 12 Earnings per share

|   | 2003  | 2002  | 2001   |
|---|-------|-------|--------|
| <b>Basic earnings per share (US cents)</b>                |       |       |        |
| 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   |
| <b>Diluted earnings per share (US cents)</b>              |       |       |        |
| 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   |
| <b>Basic earnings per ADS (US cents) <sup>(a)</sup></b>   |       |       |        |
| Including exceptional items                               | 61.2  | 56.0  | 51.4   |
| <b>Diluted earnings per ADS (US cents) <sup>(a)</sup></b> |       |       |        |
| Including exceptional items                               | 61.2  | 56.0  | 51.2   |
| <b>Earnings (US\$million)</b>                             |       |       |        |
| Excluding exceptional items                               | 1 920 | 1 934 | 2 189  |
| Including exceptional items                               | 1 901 | 1 690 | 1 529  |
| <b>Weighted average number of shares (millions)</b>       |       |       |        |
| Basic earnings per share denominator                      | 6 207 | 6 029 | 5 944  |
| Diluted earnings per share denominator                    | 6 222 | 6 042 | 5 973  |

<sup>(a)</sup> 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<br>Million | 2002<br>Million | 2001<br>Million |
|--|-----------------|-----------------|-----------------|
| Number of shares   |                 |                 |                 |
| Basic earnings per share denominator                           | 6 207           | 6 029           | 5 944           |
| BHP Billiton Limited options and performance rights and shares | 13              | 11              | 12              |
| BHP Billiton Limited partly paid shares                        | 1               | 2               | 3               |
| BHP Billiton Plc performance shares                            | 1               | –               | –               |
| BHP Billiton Plc executive share awards                        | –               | –               | 14              |
| Diluted earnings per share denominator                         | 6 222           | 6 042           | 5 973           |

### 13 Intangible assets

|  | Goodwill<br>US\$M | Negative<br>goodwill<br>US\$M | Total<br>US\$M |
|--|-------------------|-------------------------------|----------------|
| <b>Cost</b>  |                   |                               |                |
| 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              |
| <b>Amortisation</b>                                    |                   |                               |                |
| 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              |
| <b>Net book value at the end of the financial year</b> | <b>36</b>         | <b>(29)</b>                   | <b>7</b>       |
| Net book value at the beginning of the financial year  | 42                | (33)                          | 9              |

## Notes to Financial Statements continued

### 14 Tangible fixed assets

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

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

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

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

Included within the amounts set out above are assets with a net book value of US\$821 million, which has been recorded at a Directors' valuation in prior periods. Under the transitional rules of FRS 15 'Tangible Fixed Assets' which was adopted in the year ended 30 June 1999, these valuations were frozen and effectively treated as the cost of the fixed asset and no further revaluations made. The comparable amount determined according to the historical cost convention is US\$763 million. The additional depreciation charge attributable to the revaluation for 2003 is US\$5 million (2002: US\$5 million).

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

|  | Freehold<br>US\$M | Long leasehold<br>US\$M | Total<br>US\$M |
|--|-------------------|-------------------------|----------------|
| The net book value of land and buildings can be analysed as follows: |                   |                         |                |
| <b>At 30 June 2003</b>   | <b>1 268</b>      | <b>61</b>               | <b>1 329</b>   |
| At 30 June 2002  | 1 187             | 95                      | 1 282          |

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

## 15 Fixed asset investments

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

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

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

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

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

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

<sup>(d)</sup> The BHP Billiton Group has subscribed for shares in a number of listed companies in connection with option arrangements on exploration projects. The consideration has been allocated to the option and has generally been expensed in accordance with the BHP Billiton Group's accounting policy on exploration. These investments therefore have a book value of US\$nil at 30 June 2003 (2002: US\$nil) in the table above and a market value of US\$11 million (2002: US\$11 million). Other listed investments had a book value of US\$72 million (2002: US\$68 million) and a market value of US\$77 million (2002: US\$82 million).

## Notes to Financial Statements *continued*

### 16 Stocks

|                               | 2003<br>US\$M | 2002<br>US\$M |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 356           | 349           |
| Work in progress              | 384           | 434           |
| Finished goods                | 639           | 674           |
|                               | <b>1 379</b>  | <b>1 457</b>  |

### 17 Debtors

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

<sup>(a)</sup> Under the terms of the BHP Billiton Limited Employee Share Plan, shares have been issued to employees for subscription at market price less a discount not exceeding 10 per cent. Interest free employee loans are available to fund the purchase of such shares for a period of up to 20 years repayable by application of dividends or an equivalent amount.

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

## 18 Current asset investments

|                             | 2003<br>US\$M | 2002<br>US\$M |
|-----------------------------|---------------|---------------|
| Unlisted investments (a)(b) | 143           | 117           |
|                             | <b>143</b>    | <b>117</b>    |

(a) Unlisted investments include US\$104 million (2002: US\$61 million) held by the Ingwe Environmental Trust Fund. The future realisation of these investments is intended to fund environmental obligations relating to the eventual closure of Ingwe's mines and consequently these investments, whilst under BHP Billiton Group control, are not available for the general purposes of the BHP Billiton Group. All income from these investments is reinvested or spent to meet these obligations. The BHP Billiton Group retains responsibility for these environmental obligations until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under provisions for liabilities and charges (refer note 21).

(b) Unlisted investments include US\$39 million (2002: US\$49 million) relating to the BHP Billiton Group's self insurance arrangements. These investments are held for the benefit of the BHP Billiton Group but are not available for the general purposes of the BHP Billiton Group.

## 19 Creditors – amounts falling due within one year

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

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

**20 Creditors – amounts falling due after more than one year**

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

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

<sup>(b)</sup> Redeemable preference shares include the following:

**BHP Operations Inc: Preferred stock**

***Auction market preferred stock***

600 (2002: 600) shares issued at US\$250 000 each, fully paid preferred stock; cumulative, non-participating, dividend reset on a regular basis reflecting prevailing US market rates; not entitled to any earnings growth or capital appreciation of the issuer. Redeemable at the option of the issuer on any dividend payment date or, if redeemed in full, on any business day. Guaranteed by other BHP Billiton Group companies.

***Cumulative preferred stock series 'A'***

3 000 (2002: 3 000) shares issued at US\$100 000 each, fixed at 6.76 per cent per annum, fully paid and not entitled to any earnings growth or capital appreciation of the issuer. Subject to mandatory redemption on 27 February 2006. Dividends are cumulative and are calculated on the basis of a year of twelve 30 day months. Guaranteed by other BHP Billiton Group companies.

20 Creditors – amounts falling due after more than one year continued

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

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

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

## Notes to Financial Statements continued

### 21 Provisions for liabilities and charges

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

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

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

|  | 2003<br>US\$M | 2002<br>US\$M |
|--|---------------|---------------|
| Remediation and site rehabilitation                      | 10            | 47            |
| Redundancies   | 22            | 36            |
| Business terminations (including contract cancellations) | 25            | 42            |
|  | <b>57</b>     | <b>125</b>    |

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

are discounted to their net present value. The estimated total site rehabilitation cost (undiscounted) to be incurred in the future arising from operations to date, and including amounts already provided for, is US\$3 391 million (2002: US\$2 863 million).

In addition, the BHP Billiton Group has certain obligations associated with maintaining several closed sites including remediation activities. At 30 June 2003, US\$361 million (2002: US\$337 million) and US\$10 million (2002: US\$47 million) were provided for closed properties and remediation activities in the provisions for site rehabilitation and restructuring, respectively. The main closed site to which this provision relates is Southwest Copper in the US. Certain of the remediation activities are subject to legal dispute and depending on the ultimate resolution of these matters the final liability for these matters could vary. The amounts provided

## 21 Provisions for liabilities and charges continued

(c) continued

for these matters are reviewed periodically based upon the facts and circumstances available at the time and the provisions are updated accordingly. The BHP Billiton Group believes that it is reasonably possible that, due to the nature of the liability and the degree of uncertainty which surrounds them, the liability for these matters could be as much as 50 per cent (2002: 20 per cent) greater than the total amount of US\$371 million provided at 30 June 2003 (2002: US\$384 million). Details of the more significant remediation sites are discussed below.

### *Pinal Creek, Arizona, US*

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

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

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

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

### *Hawaii, US*

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

The BHP Billiton Limited Group operated a petroleum terminal, now decommissioned, at a site that is within an area that has since been declared a Hawaii State Superfund site. The BHP Billiton Limited Group is currently participating in a voluntary effort with a number of other parties to undertake site assessment, to be followed by a risk assessment, and ultimately risk-based correction actions. Site assessment is expected to be completed in 2003 and risk assessment in 2004. Some corrective action is taking place while the assessments are progressing. Also within the Superfund area is the site of a previous manufactured gas plant. Litigation over a claim brought by a neighbour, Castle & Cooke, asserting that contamination on its property arose from the BHP Billiton Limited controlled site was settled in December 2000. The BHP Billiton Group has engaged a contractor to remediate the former gas plant site to the satisfaction of the Hawaii Department of Health and to meet conditions of the Settlement Agreement. Remediation activities have commenced and are ongoing. The Group's remaining liabilities for its former Hawaii businesses including remediation costs, though uncapped, are currently assessed and accrued at US\$11 million (2002: US\$12 million).

### *Newcastle, Australia*

On 28 June 2002, the BHP Billiton Group and the New South Wales (NSW) Government executed contracts for the transfer of four properties in the Newcastle area from the Group to the NSW Government. The properties covered by the land transfer are 150 hectares at the former Newcastle Main Steelworks site, 230 hectares at Kooragang Island, 500 hectares at Belmont Sands and 1500 hectares at West Wallsend. Pursuant to the terms of the contracts the NSW Government agreed to pay the Group US\$22 million (net of GST) for the Main Steelworks site. The other properties were transferred to the NSW Government at no cost. The Group will ultimately pay the NSW Government a sum of US\$73 million (net of GST) for environmental remediation and monitoring of the former Main Steelworks site and Kooragang Island, industrial heritage interpretation and rail infrastructure relocation on the former Main Steelworks site, of which US\$43 million has already been paid.

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

The Group continues to be responsible for demolition at the Main Steelworks site at an estimated cost of approximately US\$5 million at 30 June 2003 (2002: US\$11 million).

The payments to the Government associated with the land transfers and the cost of demolition has been accounted for as part of the Newcastle Steelworks closure. The transfers of the four properties referred to above were completed on 31 July 2002 and the indemnity referred to above is now in place. The Group has also taken out pollution liability insurance to cover certain risks associated with pre-completion environmental liabilities referred to above. Additionally the Group retains responsibility for certain sediment in the Hunter River adjacent to the former Main Steelworks site. A remediation options study has been completed. The estimated total future costs provided at 30 June 2003 were approximately US\$30 million (2002: US\$75 million).

### *Ok Tedi, Papua New Guinea*

The BHP Billiton Group completed its withdrawal from the Ok Tedi copper mine in Papua New Guinea in February 2002 with the transfer of its 52 per cent equity stake to PNG Sustainable Development Program Limited (Program Company), a development fund that operates for the benefit of the Papua New Guinean people. The Program Company operates independently and will utilise future dividend payments arising from the BHP Billiton Group's transferred shareholding in Ok Tedi Mining Limited (OTML) to fund current and long-term sustainable development projects in Papua New Guinea, particularly the Western Province.

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

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

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

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

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

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

**22 Called up share capital and contributed equity**

|   | 2003<br>US\$M        | 2002<br>US\$M        | 2001<br>US\$M        |
|---|----------------------|----------------------|----------------------|
| <b>BHP Billiton Plc</b>   |                      |                      |                      |
| <b>Authorised share capital</b>   |                      |                      |                      |
| 3 000 000 000 ordinary shares of US\$0.50 each (2002: 3 000 000 000; 2001: 3 000 000 000) | 1 500                | 1 500                | 1 500                |
| 50 000 (2002: 50,000; 2001: 50 000) 5.5% preference shares of £1 each <sup>(a)</sup>      | –                    | –                    | –                    |
| 1 Special Voting Share (2002: 1; 2001: 1) of US\$0.50 <sup>(b)</sup>                      | –                    | –                    | –                    |
| 1 Equalisation Share (2002: 1; 2001: 1) of US\$0.50 <sup>(c)</sup>                        | –                    | –                    | –                    |
|   | <b>1 500</b>         | <b>1 500</b>         | <b>1 500</b>         |
| <b>Allotted, called up and fully paid share capital</b>                                   |                      |                      |                      |
| 2 468 147 002 ordinary shares of US\$0.50 each (2002: 2 319 147 885; 2001: 2 319 147 885) | 1 234                | 1 160                | 1 160                |
| 50 000 (2002: 50 000; 2001: 50 000) 5.5% preference shares of £1 each <sup>(a)</sup>      | –                    | –                    | –                    |
| 1 Special Voting Share (2002: 1; 2001: 1) of US\$0.50 <sup>(b)</sup>                      | –                    | –                    | –                    |
|   | <b>1 234</b>         | <b>1 160</b>         | <b>1 160</b>         |
|   |                      |                      |                      |
|   | 2003                 | Number of shares     |                      |
|   |                      | 2002                 | 2001                 |
| <b>Movements in called up fully paid ordinary shares</b>                                  |                      |                      |                      |
| Opening number of shares  | 2 319 147 885        | 2 319 147 885        | 2 138 032 287        |
| Bonus shares issued <sup>(d)</sup>  | 148 999 117          | –                    | –                    |
| Shares issued under ordinary share placement <sup>(e)</sup>                               | –                    | –                    | 181 115 598          |
| Closing number of shares  | <b>2 468 147 002</b> | <b>2 319 147 885</b> | <b>2 319 147 885</b> |

22 Called up share capital and contributed equity continued

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

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

- (a) Preference shares have the right to repayment of the amount paid up on the nominal value and any unpaid dividends in priority to the holders of any other class of shares in BHP Billiton Plc on a return of capital or winding up. The holders of preference shares have limited voting rights if payment of the preference dividends are six months or more in arrears or a resolution is passed changing the rights of the preference shareholders. Since the merger these shares have been beneficially held by J.P. Morgan plc.
- (b) Each of BHP Billiton Plc and BHP Billiton Limited issued one Special Voting Share to facilitate joint voting by shareholders of BHP Billiton Plc and BHP Billiton Limited on Joint Electorate Actions.
- (c) The Equalisation Share was authorised to enable a distribution to be made by BHP Billiton Plc to the BHP Billiton Limited Group should this be required under the terms of the DLC merger. The Directors have the ability to issue the Equalisation Share if required under those terms. The Constitution of BHP Billiton Limited allows the Directors of that Company to issue a similar Equalisation Share.
- (d) Upon the demerger of the BHP Steel business in July 2002, bonus shares of BHP Billiton Plc were issued to BHP Billiton Plc shareholders to reflect the value distributed to shareholders of BHP Billiton Limited as a result of the demerger (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held).
- (e) In September 2000, 235 000 000 ordinary shares were placed at a price of 265 pence per share. The placing comprised 181 115 598 new shares and 53 884 402 shares held under the share repurchase scheme.
- (f) Contributed equity decreased by US\$1 456 million due to the demerger of BHP Steel in July 2002. This reflected a capital reduction of A\$0.69 per share. The demerger resulted in BHP Billiton Limited shareholders being issued one BHP Steel Limited share for every five BHP Billiton Limited shares held.
- (g) The DLC merger between BHP Billiton Plc and BHP Billiton Limited was established on 29 June 2001. Under the terms of the DLC merger BHP Billiton Limited issued fully paid bonus shares effective 29 June 2001 with the allotment of shares occurring on 9 July 2001. Refer to Merger Terms in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'.
- (h) 80 000 (2002: 65 000; 2001: 30 000) shares paid to A\$1.40 and 1 210 000 (2002: 1 351 500; 2001: 2 630 000) shares paid to A\$1.36 were converted to fully paid during 2003. There were no partly paid shares issued during the year (2002: nil; 2001: nil). Including bonus shares, 1 710 184 (2002: 1 815 916; 2001: 2 660 000) shares were issued on conversion of these partly paid shares. 282 000 (2002: 650 000) partly paid shares are entitled to 321 984 (2002: 692 315) bonus shares on becoming fully paid. As a consequence of the BHP Steel demerger, an interim call of A\$0.69 per share was made on partly paid shares and the capital reduction amount was applied to meet this call.
- (i) The number of shares issued on exercise of options and Performance Rights after 7 July 2001 includes bonus shares.
- (j) During the year ended 30 June 2003, BHP Billiton Limited did not repurchase any shares in accordance with its announced share buy-back program. During the year ended 30 June 2002, BHP Billiton Limited repurchased 4 134 622 shares at a weighted average price of A\$8.83 per share. The buy-back program allows for the purchase of up to 186 million BHP Billiton Limited shares (adjusted for the bonus issue), less the number of BHP Billiton Plc shares purchased on-market by Nelson Investment Limited.
- (k) During the period 1 July 2003 to 9 September 2003, 155 000 Executive Share Scheme partly paid shares were paid up in full, 2 978 357 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan options and 813 709 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Performance Share Plan Performance Rights.

## Notes to Financial Statements continued

### 23 Employee share ownership plans

#### Summary of BHP Billiton Group employee share ownership plans

The following table is a summary of the awards made under the employee share ownership plans of BHP Billiton Plc and BHP Billiton Limited. The subsequent tables and associated footnotes provide more information in relation to that contained in the summary table.

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

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

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

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

23 Employee share ownership plans continued

|   | Group Incentive Scheme Performance Shares (BHP Billiton Plc) <sup>(e)</sup> |              |              | Group Incentive Scheme Performance Shares (BHP Billiton Limited) <sup>(e)</sup> |      |      |
|---|---|--------------|--------------|---|------|------|
|   | 2003  | 2002         | 2001         | 2003  | 2002 | 2001 |
| Number of awards issued since commencement of the Plan            | <b>3 966 768</b>  |              |              | <b>7 510 243</b>  |      |      |
| <i>During the financial year</i>                                  |   |              |              |   |      |      |
| Number of awards remaining at the beginning of the financial year | –   |              |              | –   |      |      |
| Number of awards issued   | <b>3 966 768</b>  |              |              | <b>7 510 243</b>  |      |      |
| Number of awards exercised  | –   |              |              | –   |      |      |
| Number of awards lapsed   | <b>(332 517)</b>  |              |              | <b>(196 727)</b>  |      |      |
| Number of awards remaining at the end of the financial year       | <b>3 634 251</b>  |              |              | <b>7 313 516</b>  |      |      |
| Exercisable   | –   |              |              | –   |      |      |
| Not exercisable   | <b>3 634 251</b>  |              |              | <b>7 313 516</b>  |      |      |
| Number of employees participating in awards issued                | <b>221</b>  |              |              | <b>424</b>  |      |      |
| Market value of awards issued (US\$ million) <sup>(d)</sup>       | –   |              |              | –   |      |      |
| Proceeds from awards issued (US\$ million)                        | –   |              |              | –   |      |      |
| Number of employees exercising awards                             | –   |              |              | –   |      |      |
| Market value of shares on exercise of awards (US\$ million)       | –   |              |              | –   |      |      |
|   |   |              |              |   |      |      |
|   | Employee Share Plan Options <sup>(f)</sup>                                  |              |              | Weighted Average Exercise Price (A\$)   |      |      |
|   | 2003  | 2002         | 2001         | 2003  | 2002 | 2001 |
| Number of awards issued since commencement of the Plan            | <b>178 032 575</b>  | 177 965 075  | 163 887 575  |   |      |      |
| <i>During the financial year</i>                                  |   |              |              |   |      |      |
| Number of awards remaining at the beginning of the financial year | <b>60 994 303</b>   | 74 588 800   | 87 217 403   | <b>8.29</b>   | 7.92 | 7.92 |
| Number of awards issued   | <b>67 500</b>   | 14 077 500   | 15 244 569   | <b>8.95</b>   | 8.98 | 9.13 |
| Number of awards exercised  | <b>(20 165 784)</b>   | (22 955 508) | (16 104 063) | <b>7.25</b>   | 7.66 | 7.59 |
| Number of awards lapsed   | <b>(3 324 217)</b>  | (4 716 489)  | (11 769 109) | <b>7.53</b>   | 7.78 | 7.73 |
| Number of awards remaining at the end of the financial year       | <b>37 571 802</b>   | 60 994 303   | 74 588 800   | <b>7.81</b>   | 8.29 | 7.92 |
| Exercisable   | <b>15 899 927</b>   | 32 297 444   | 18 643 279   | <b>7.03</b>   | 7.62 | 7.54 |
| Not exercisable   | <b>21 671 875</b>   | 28 696 859   | 55 945 521   | <b>8.38</b>   | 9.04 | 8.06 |
| Number of employees participating in awards issued                | <b>1</b>  | 266          | 367          |   |      |      |
| Market value of awards issued (US\$ million) <sup>(d)</sup>       | –   | –            | –            |   |      |      |
| Proceeds from awards issued (US\$ million)                        | –   | –            | –            |   |      |      |
| Number of employees exercising awards                             | <b>9 857</b>  | 12 081       | 9 431        |   |      |      |
| Market value of shares on exercise of awards (US\$ million)       | <b>121</b>  | 132          | 84           |   |      |      |
| Proceeds from exercise of options (US\$ million)                  | <b>83</b>   | 94           | 65           |   |      |      |

## Notes to Financial Statements continued

### 23 Employee share ownership plans continued

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

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

## 23 Employee share ownership plans continued

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

## Notes to Financial Statements continued

### 23 Employee share ownership plans continued

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

### Fair valuation of employee share awards <sup>(o)</sup>

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

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

23 Employee share ownership plans continued

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

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

## 23 Employee share ownership plans continued

- (a) Awards under the Restricted Share Scheme (RSS) were made at the discretion of the Trustees of the Billiton Employee Share Ownership Trust or by BHP Billiton Plc. In respect of the executive Directors, awards were made on the recommendation of the Remuneration Committee and, in the case of other employees, the Remuneration Committee recommended the level of award following proposals from the Executive Committee. An award takes the form of conditional awards or share options in BHP Billiton Plc and was made subject to performance hurdles that were set by the Remuneration Committee. The Remuneration Committee also recommended the value of the ordinary shares to constitute an award and this value did not exceed 100 per cent of a participant's annual base salary. Subject to the performance hurdles being met and the extent to which they are met, the award will vest and the participant will become entitled to the appropriate number of ordinary shares, or if relevant entitled to exercise options over the relevant number of ordinary shares. The Employee Share Ownership Trust (ESOP Trust) is a discretionary Trust for the benefit of all employees of BHP Billiton Plc and its subsidiaries. The Trustee is an independent company, resident in Jersey. The Trust uses funds provided by BHP Billiton Plc and/or its subsidiaries as appropriate to acquire ordinary shares to enable awards to be made or satisfied under the RSS. The ordinary shares may be acquired by purchase in the market or by subscription at not less than nominal value. If prior to vesting of an award, a participant ceases to be employed because of resignation or termination for cause, that award will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the award will become exercisable depending on the circumstances of cessation. Awards were made in October 2001 and November 2001 upon the following terms:
- (i) one performance hurdle compares BHP Billiton Plc's total shareholder return (TSR) over the performance period with a global comparator group of companies over the same period.
  - (ii) awards will vest by reference to the relative position of BHP Billiton Plc's TSR compared to the global comparator group of companies.
  - (iii) if the performance hurdles are not achieved by the end of a three-year period, then 75 per cent of the award lapses. The performance hurdles are measured again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, then the remaining 25 per cent of the award lapses.
  - (iv) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Plc's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the UK Retail Price Index.
  - (v) the percentage of shares that vest under the RSS will not be greater than the percentage of Performance Rights that can be exercised under the BHP Billiton Limited Performance Share Plan (PSP). The performance hurdles under the PSP are calculated on the same basis as those described above, but using the BHP Billiton Limited TSR compared to the TSR of the same global comparator group, and the Australian Consumer Price Index as the basis for the absolute measure. Refer footnote (i) below.
  - (vi) awards are not transferable, carry no right to dividends and no voting rights. Where there is a share issue before an award vests, the number of shares that constitute the award is adjusted at the discretion of the Remuneration Committee.
- (b) Invitations to participate in the Co-Investment Plan (CIP) were made by the Remuneration Committee to selected employees (including executive Directors) of the BHP Billiton Plc Group. The selected employees were asked to indicate the proportion of their discretionary annual bonus for the current financial year they wished to invest in the CIP subject to the minimum and maximum investment limits set by the Remuneration Committee. Within those limits, part of the bonus that would otherwise have been paid in cash was used by the ESOP Trust to acquire ordinary shares in BHP Billiton Plc. These are known as committed shares. Each invitee who acquired committed shares was also granted an award (a matching award) over shares in BHP Billiton Plc. The matching award entitles the participant to acquire a number of shares in BHP Billiton Plc for nil consideration, subject to the satisfaction of performance hurdles and the continuing employment of the participant. If prior to vesting of a matching award, a participant ceases to be employed because of resignation or termination for cause, the participant's committed shares will be forfeited and the related matching award will also lapse and cease to be exercisable. If a participant ceases to be employed for any other reason, then the entire committed share vests and either all or a proportion of the matching award relevant for the period of cessation will vest, depending on the circumstances of cessation. Awards issued as presented in the preceding tables represents both committed awards and matching awards. Awards were made in October 2001 and November 2001 upon the following terms:
- (i) one performance hurdle compares BHP Billiton Plc's TSR over the performance period with a global comparator group of companies over the same period.
  - (ii) awards will vest by reference to the relative position of BHP Billiton Plc's TSR compared to the global comparator group of companies.
  - (iii) the vesting of matching awards is determined by reference to two performance periods. The first performance period is two years in length. If the performance hurdles are achieved at the end of the first performance period, the corresponding number of shares under matching award will vest. At this time the participant has the option to remain within the plan and enter the second performance period or leave the plan. Should the participant leave the plan at the end of the first performance period, committed shares are released together with any shares under the matching award that may have vested. All remaining shares under the matching award lapse.
  - (iv) the second performance period is a further two years. At the end of this two-year period, subject to continuing employment, committed shares will be released and a number of shares subject to a matching award will vest to the extent the performance hurdles are met. If the performance hurdles have not been met at the end of the second performance period no additional shares under the matching award will vest. However, any shares that vested under the matching award for the first performance period may be exercised and the remaining shares under the matching award that have not vested will lapse.
  - (v) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Plc's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the UK Retail Price Index.
  - (vi) the percentage of shares under the matching award that vest cannot be greater than the percentage of the matching awards that vest under the BHP Billiton Limited Medium Term Incentive (MTI) plan. The performance hurdles under the MTI are calculated on the same basis as those described above, but using the BHP Billiton Limited TSR compared to the TSR of the same global comparator group, and the Australian Consumer Price Index as the basis of the absolute measure. Refer footnote (j) below.
  - (vii) awards are not transferable. Awards carry no right to dividends and no voting rights. Where there is a share issue before an award vests, the number of shares that constitute the matching award is adjusted at the discretion of the Remuneration Committee.
- (c) All awards issued under the RSS and CIP prior to June 2001 vested as a consequence of the DLC merger. Data as presented reflects awards granted after completion of the DLC merger only.
- (d) Options, Performance Rights and awards issued under the Group Incentive Scheme, Bonus Equity Share Plan, RSS and CIP are not transferable nor are they listed and as such do not have a market value. Refer footnote (o) for estimated fair values.
- (e) The Group Incentive Schemes were approved by shareholders at the 2002 Annual General Meeting. The Group granted Performance Shares to participants in November 2002 under transition arrangements of the Schemes, subject to achievement of specified performance hurdles. The Performance Shares granted are subject to meeting the three-year TSR and Earnings Per Share (EPS) performance hurdles at the end of the three-year performance period. The EPS growth threshold will be satisfied if the compound EPS growth for the Group during the performance period is at least equal to the higher of the increase in the Australian Consumer Price Index and the increase in the UK Retail Price Index, plus 2 per cent per annum, over the performance period. The TSR threshold is based on whether the TSR achieved by the peer group companies is greater than the TSR achieved by either BHP Billiton Limited or BHP Billiton Plc (whichever is lower) over the performance period. In essence, TSR is measured by the sum of any increase in share price of, plus dividends paid by, the various companies.

## 23 Employee share ownership plans continued

- (f) The Employee Share Plan provided eligible employees of BHP Billiton Limited Group with the opportunity to acquire fully paid ordinary shares or options for ordinary shares in BHP Billiton Limited at such times as the Board deemed appropriate. These ordinary shares are issued from share capital. If prior to vesting of an option, a participant ceases to be employed because of resignation or termination for cause, that option will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the options will become exercisable depending on the circumstances of cessation. Shares and options were issued under the Employee Share Plan on the following terms:
- (i) shares were offered for subscription for market value (which is the weighted average market price over the five days prior to issue) less a discount not exceeding 10 per cent. The exercise price of an option is the market value less a discount not exceeding 10 per cent.
  - (ii) where shares were offered, interest free employee loans were made available to fund the purchase of shares for a maximum period of 20 years, repayable by application of dividends or an equivalent amount. Any amounts outstanding are repayable at the end of employment or the 20-year period, whichever is earlier.
  - (iii) at cessation of employment an extension of the loan repayment period may be granted if the outstanding loan is in a non profitable position or if immediate payment may cause unnecessary hardship to the employee. The extension will be reviewed periodically. If during the extension period the shares become profitable or the circumstances causing the hardship no longer apply, BHP Billiton Limited will require repayment of the loan or arrange for the sale of those shares.
  - (iv) each option is granted over one unissued share in BHP Billiton Limited. Following the bonus issue allotment on 9 July 2001, on exercise of each option outstanding as at 29 June 2001, 2.0651 shares were issued. Although the exercise price was unaffected by the bonus share issue, data presented in the preceding tables has been adjusted to reflect the impact of the bonus issue on both the exercise price and the number of shares issued on exercise of options.
  - (v) the Board of Directors applied performance hurdles to the exercise of options issued in or after April 1999.
  - (vi) options granted in April 2000 are ten-year options, not exercisable until after three years, and then only if performance hurdles are achieved. These performance hurdles relate to two comparator groups (ASX 100 index and a global comparator group). BHP Billiton Limited's performance in terms of TSR is measured against both of these groups to determine if performance hurdles have been achieved.
  - (vii) options granted from November to December 2000 do not become exercisable until after 30 June 2003 and then only if performance hurdles are achieved. These performance hurdles relate to the ASX 100 index. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. The options lapse if the hurdles have not been achieved within a two-year period. If the options are exercisable, they lapse ten years after issue.
  - (viii) options granted in November 2001 do not become exercisable until after 30 September 2004 and then only if performance hurdles are achieved. These performance hurdles relate to the ASX 100 index. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. If the hurdles are not achieved by 30 September 2004, then 75 per cent of the options lapse. The TSR measurement is taken again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, the remaining 25 per cent of the options lapse. If the options are exercisable, they lapse on 30 September 2011.
  - (ix) options are not transferable. Options carry no right to dividends and no voting rights. Where there is a share issue before an option is exercised, the number of shares awarded on exercise will increase accordingly.
  - (x) unexercised options will expire at the end of the exercise period.
- (g) Classified on the balance sheet as other debtors.
- (h) The Executive Share Scheme provided for senior executives to acquire partly paid ordinary shares in BHP Billiton Limited. Partly paid shares issued under the Executive Share Scheme were issued on the following terms:
- (i) only full-time executive employees (including executive Directors) were eligible. Any eligible executive who participated in the Employee Share Plan was ineligible to participate in the Executive Share Scheme.
  - (ii) shares were offered at an issue price determined by the Board which was not less than a 10 per cent discount nor more than a 10 per cent premium on the current market price (measured over a five-day period).
  - (iii) the balance outstanding on ordinary shares must be paid not later than 20 years after the date of issue. The balance of the price must also be paid no later than two years after termination of employment, but may be paid at any earlier time chosen by a participant.
  - (iv) the price payable at the time of compulsory payment may be varied if the market price (adjusted for the effects of any bonus, rights or other issue) is then lower than the issue price.
  - (v) there is no entitlement to dividends on the Scheme shares while they remain partly paid, unless the Board determines otherwise.
  - (vi) shares issued under the Scheme prior to June 1996 are eligible immediately (even though partly paid) to participate in bonus, rights or other issues on the same basis as BHP Billiton Limited's other ordinary shares. These bonus shares are held in escrow until the Scheme shares are fully paid.
  - (vii) in respect of Scheme shares issued after June 1996, the issue of bonus shares will be deferred until the underlying Scheme shares are fully paid. Such bonus shares will not attract or accrue dividends while their issue is deferred. Data as presented in the preceding tables has been adjusted to reflect the impact of the bonus issue which resulted from the DLC merger.
  - (viii) voting rights attach in proportion to the amount paid up. Full voting rights apply when the shares are fully paid.
- (i) Performance Rights have been issued to executive officers under the BHP Billiton Limited Performance Share Plan as long-term incentives (LTI). Performance Rights constitute a right, issued by a trustee of a special purpose trust established by BHP Billiton Limited, to require the trustee to acquire a BHP Billiton Limited share on behalf of the participant, upon fulfilment of prescribed performance hurdles or completion of service conditions. Where a service condition or performance hurdle is fulfilled, related Performance Rights are exercisable. The trustee acquires shares either by purchase on market or subscription, and the shares are then held in trust until the participant requests that they be transferred. If prior to vesting of a Performance Right, a participant ceases to be employed because of resignation or termination for cause, the Performance Right will lapse. If a participant ceases to be employed for any other reason, then either all or a proportion of the Performance Rights will become exercisable depending on the circumstances of cessation.
- In addition to the above, Performance Rights were issued on the following terms:
- (i) the exercise price of Performance Rights is nil. Performance Rights are not transferable. Performance Rights carry no right to dividends, and no voting rights. Where there is a share issue before a Performance Right is exercised, the number of shares awarded on exercise will increase accordingly.
  - (ii) Performance Rights will lapse if performance hurdles or service conditions are not satisfied or in other specified situations. Generally, Performance Rights lapse on the tenth anniversary of their date of issue unless previously exercised or lapsed in accordance with their terms of issue.
  - (iii) the performance hurdles attached to Performance Rights issued from November to December 2000 relate to a global comparator group of companies. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies to determine if the performance hurdles have been achieved. This measurement was first taken on 30 June 2003 and the Performance Rights lapse if the hurdles have not been achieved within the two years following this date.
  - (iv) the performance hurdles attached to Performance Rights issued in October and November 2001 relate to a global comparator group of companies. BHP Billiton Limited's performance in terms of TSR is measured against this group of companies and the Australian Consumer Price Index to determine if the performance hurdles have been achieved. If the hurdles are not achieved by 30 September 2004, then 75 per cent of the Performance Rights lapse. The performance hurdles are measured again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, then the remaining 25 per cent of the Performance Rights lapse. The percentage of Performance Rights that vest cannot be greater than the percentage of shares that vest under the RSS. Refer footnote (a) above.
- (j) Performance Rights were also issued to executive officers in October 2001 as medium term incentives (MTI) with separate terms from those discussed in (i) above. This had the effect of aligning the remuneration policy applied to the executives of the BHP Billiton Limited Group with that applied to executives of the BHP Billiton Plc Group who are able to participate in the Co-Investment Plan.

## 23 Employee share ownership plans continued

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

Each participant who acquired a committed award was also granted a matching award of Performance Rights over shares in BHP Billiton Limited. The matching award entitles participants to acquire a number of shares in BHP Billiton Limited for nil consideration, subject to the satisfaction of performance hurdles and the continuing employment of the participant. If prior to vesting of a matching award, a participant ceases to be employed because of resignation or termination for cause, the participant's committed award will be forfeited, the related matching award will lapse and Performance Rights cease to be exercisable. If a participant ceases to be employed for any other reason, then the entire committed award vests and either all or a proportion of the Performance Rights under the matching award relevant for the period of cessation will vest, depending on the circumstances of cessation.

The awards have been made on the following terms:

- (i) one performance hurdle compares BHP Billiton Limited's TSR over the performance period with the global comparator group of companies over the same period.
- (ii) awards will vest by reference to the relative position of BHP Billiton Limited's TSR compared to the global comparator group of companies.
- (iii) the vesting of matching awards is determined by reference to two performance periods. The first performance period is two years in length. If the performance hurdles are achieved at the end of the first performance period, the corresponding number of Performance Rights under the matching award will vest. At this time the participant has the option to remain within the plan and enter the second performance period or leave the plan. Should the participant leave the plan at the end of the first performance period, the committed award becomes exercisable together with any Performance Rights under the matching award that may have vested. All remaining Performance Rights under the matching award lapse.
- (iv) the second performance period is a further two years. At the end of this two-year period, subject to continuing employment, the committed award becomes exercisable and the corresponding number of Performance Rights subject to a matching award will vest to the extent the performance hurdles are met. If the performance hurdles have not been met at the end of the second performance period no additional Performance Rights under the matching award will vest. However, any Performance Rights that vested under the matching award for the first performance period may be exercised, and the remaining Performance Rights under the matching award that have not vested will lapse.
- (v) in addition to the measure against the global comparator group of companies, the awards are subject to an underlying absolute measure. In order for the awards to be capable of vesting, the percentage increase in BHP Billiton Limited's TSR over the relevant performance period must be equal to or in excess of 2 per cent per annum over the Australian Consumer Price Index.
- (vi) the percentage of Performance Rights under the matching award that vest cannot be greater than the percentage of shares that vest under the CIP. Refer footnote (b) above.
- (vii) the exercise price of Performance Rights is nil. Performance Rights are not transferable. Performance Rights carry no right to dividends, and no voting rights. Where there is a share issue before a Performance Right is exercised, the number of shares awarded on exercise will increase accordingly.
- (k) The number of shares received on exercise of Performance Rights issued in March 1999 have been increased following the spin-off of OneSteel Limited to reflect the capital reduction impact on the value of BHP Billiton Limited shares. In addition, for Performance Rights on issue as at 29 July 2001 the number of shares received on exercise has been increased following the bonus issue, which resulted from the DLC merger. Following the BHP Steel demerger in July 2002, the number of shares received on exercise of Performance rights was increased to reflect the capital reduction impact on the value of BHP Billiton Limited shares.
- (l) The Bonus Equity Share Plan provided eligible employees with the opportunity to take a portion of their incentive plan award in ordinary shares in BHP Billiton Limited. Eligibility was determined by the Board. Participants who elected to take their incentive plan award in shares under the Plan also received an uplift of 25 per cent so that for each A\$1 of award taken as shares, A\$1.25 worth of shares were provided. The shares were purchased on market. The shares awarded under this Plan are held in trust and may not be transferred or disposed of for at least a three-year period. The shares are allocated on the following terms:
  - (i) while the shares are held in trust, the participants are entitled to receive dividends on those shares, entitled to participate in bonus issues, may participate in rights issues, etc. and may direct the trustee on how to vote those shares at a general meeting of BHP Billiton Limited.
  - (ii) if employment ceases while the shares are in trust, the shares awarded as part of the 25 per cent uplift (or a portion of that uplift) may or may not be forfeited (depending upon the circumstances of the employment relationship ending).
- (m) Although the exercise price of options was not affected by the bonus issue of shares, the exercise price for options have been adjusted to take into account the bonus issue of shares which took effect 29 June 2001 as a result of the DLC merger. Exercise prices were also reduced by A\$0.66 (pre-bonus issue of shares) following the OneSteel Limited spin-off on 31 October 2000 and by A\$0.69 following the BHP Steel Limited demerger in July 2002.
- (n) Shares issued on exercise of Performance Rights and awards under the RSS and CIP include shares purchased on market.
- (o) The values of all awards granted during the years ended 30 June 2003 and 30 June 2002 and of Employee Share Plan options and Performance Rights granted during the year ended 30 June 2001, including the significant key assumptions used to derive the values, have been determined by an actuary at the request of the BHP Billiton Group. The BHP Billiton Group believes the values represent a reasonable estimate. Nevertheless, the assumptions used are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the BHP Billiton Group. The different nature of the awards which have been issued, year on year, with respect to the performance hurdles which have been established and the qualifying periods before the awards vest, results in variations to the respective valuations. The actual value to the holder may differ materially from the values shown.
- (p) The fair value of a Bonus Equity Share Plan award is equal to the market value of a BHP Billiton Limited share on the date of grant.
- (q) Subject to performance conditions.
- (r) The fair value of an award excluding the impact of attrition of participants is US\$1.24 for a Group Incentive Scheme Performance Share (BHP Billiton Plc) and US\$1.29 for a Group Incentive Scheme Performance Share (BHP Billiton Limited).

## 24 Reserves

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

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

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

## 25 Reconciliation of movements in shareholders' funds

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

(a) BHP Billiton Plc entered into an arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Nelson Investment Limited) established for that purpose. 3 890 000 ordinary shares were purchased in the year ended 30 June 2003 for an aggregate purchase price of US\$20 million, which was funded by the BHP Billiton Group. The cost of purchasing these shares was deducted from shareholders' funds. There is no intention to trade these shares and no dividends are paid in respect of them outside the BHP Billiton Group. Normally, the Companies Act 1985 requires that interests in own shares be included in the balance sheet as an asset. However, in this case the Directors consider that the arrangements are such that the shares owned by Nelson Investment Limited have effectively been repurchased by the BHP Billiton Group and so do not constitute an asset of the BHP Billiton Group and that to show them as such would fail to show a true and fair view. BHP Billiton Plc previously entered into a similar arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Strand Investment Holdings Limited) established for that purpose during the year ended 30 June 1999. During the year ended 30 June 2001 the shares held by Strand Investment Holdings Limited were reissued and no shares were held at 30 June 2001, 2002 or 2003.

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

## Notes to Financial Statements continued

### 26 Commitments

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

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

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

## 26 Commitments continued

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

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

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

## 27 Pensions and post-retirement medical benefits

### Pension Schemes

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

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

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

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

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

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

The pension charge for the year for defined benefit schemes has increased from US\$55 million to US\$65 million largely due to negative investment returns of plans in the US, Canada and Europe causing a deterioration of the funded status for these plans and leading to increased variation costs. In addition, new legislation in South Africa regarding the apportionment of surpluses, which will most likely eliminate the Group's entitlements to any fund surpluses in South Africa, has also led to increased variation costs in relation to prior years.

## Notes to Financial Statements continued

### 27 Pensions and post-retirement medical benefits continued

For accounting purposes, the actuarial valuations have determined pension costs for most schemes using the projected unit method. There are exceptions for some schemes that are closed to new members where the attained age method was used. The assumptions used varied by scheme. For the purposes of calculating the pension charge, surpluses or deficiencies are recognised through the variation cost component in future accounting periods as a constant percentage of estimated future payroll over the remaining service life of the employees.

#### **Actuarial valuations used for accounting purposes**

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

#### **Formal actuarial valuations**

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

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

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

#### **Post-retirement medical benefits**

The BHP Billiton Group provides medical benefits, which are not pre-funded, for retired employees and their dependants in South Africa, the US, Canada and Suriname. The post-retirement benefit charge, net of employees' and retirees' contributions paid, in respect of these benefits was US\$26 million (2002: US\$16 million; 2001: US\$15 million) excluding an exchange loss of US\$22 million (2002: gain US\$14 million; 2001: gain US\$9 million).

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

|                                    | South Africa | US   | Canada | Suriname |
|------------------------------------|--------------|------|--------|----------|
| Ultimate healthcare inflation rate | 9.0%         | 5.5% | 3.0%   | 5.0%     |
| Discount rate                      | 11.75%       | 7.5% | 6.5%   | 6.5%     |

#### **FRS 17 Retirement Benefits**

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

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

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

27 Pensions and post-retirement medical benefits continued

**Pension schemes – FRS 17 disclosures**

The BHP Billiton Group operates a number of defined benefit schemes in Australia, Canada, the US, Europe, South Africa and South America. For accounting disclosure purposes, full actuarial valuations for most schemes were carried out as at 30 June 2003 by local actuaries. For a minority of plans it has been necessary to roll forward liabilities calculated using earlier data. The major assumptions used by the actuaries ranged from:

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

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

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

## Notes to Financial Statements continued

### 27 Pensions and post-retirement medical benefits continued

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

The expected rates of return on these asset categories were:

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

27 Pensions and post-retirement medical benefits continued

Analysis of the operating costs (US\$ million):

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

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

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

## Notes to Financial Statements continued

### 27 Pensions and post-retirement medical benefits continued

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

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

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

27 Pensions and post-retirement medical benefits continued

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

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

## Notes to Financial Statements continued

### 27 Pensions and post-retirement medical benefits continued

#### Post-retirement medical benefits – FRS 17 disclosures

The BHP Billiton Group also operates a number of other post-retirement medical benefit arrangements in South Africa, the US, Canada and Suriname. Full actuarial valuations were carried out as at 30 June 2003, many of them by local actuaries. For a minority of plans it has been necessary to roll forward liabilities calculated using earlier data. The major assumptions used by the actuaries ranged from:

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

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

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

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

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

27 Pensions and post-retirement medical benefits continued

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

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

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

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

## Notes to Financial Statements continued

### 27 Pensions and post-retirement medical benefits continued

|  | South Africa | US     | Canada | Suriname | UK | Total  |
|--|--------------|--------|--------|----------|----|--------|
| <i>Year ended 30 June 2002</i>   |              |        |        |          |    |        |
| Experience gains/(losses) arising on scheme liabilities  | 8            | (6)    | –      | –        | –  | 2      |
| Changes in assumptions underlying the present value of scheme liabilities                                  | (10)         | –      | –      | (1)      | –  | (11)   |
| Actuarial gain/(loss) recognised in STRGL  | (2)          | (6)    | –      | (1)      | –  | (9)    |
| Difference between the expected and actual outcomes:   |              |        |        |          |    |        |
| Experience gains/(losses) on scheme liabilities as a percentage of the present value of scheme liabilities | 14.8%        | (4.7%) | 0%     | 0%       | 0% | 0.9%   |
| Total gain/(loss) recognised in STRGL as a percentage of the present value of scheme liabilities           | (3.7%)       | (4.7%) | 0%     | (5.3%)   | 0% | (4.1%) |

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

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

27 Pensions and post-retirement medical benefits continued

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

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

## Notes to Financial Statements continued

### 28 Analysis of movements in net debt

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

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

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

## 29 Financial instruments

### BHP Billiton Group financial risk strategy

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

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

There are two components to the Portfolio Risk Management strategy:

**Risk mitigation** – where risk is managed at the portfolio level within an approved Cash Flow at Risk ('CFaR') framework to support the achievement of the BHP Billiton Group's broader strategic objectives. The CFaR framework is a means to quantify the variability of the BHP Billiton Group's cash flows after taking into account diversification effects. (CFaR is the worst expected loss relative to projected business plan cash flows over a one-year horizon under normal market conditions at a confidence level of 95 per cent.)

Where CFaR is within the Board-approved limits, hedging activities are not undertaken. Legacy hedge positions which existed prior to the adoption of the Portfolio Risk Management strategy will be allowed to run-off. There could be circumstances, for example, such as following a major acquisition, when it becomes appropriate to mitigate risk in order to support the BHP Billiton Group's strategic objectives. In such circumstances, the BHP Billiton Group may execute hedge transactions or utilise other techniques to return risk to within approved parameters.

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

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

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

The FRMC receives reports on, amongst other matters: financing requirements both for existing operations and new capital projects; assessments of risks and rewards implicit in requests for financing; and market forecasts for interest rates, currency movements and commodity prices, including analysis of sensitivities. In addition, the FRMC receives reports on the various financial risk exposures of the BHP Billiton Group. On the basis of this information, the FRMC determines the degree to which it is appropriate to use financial instruments, commodity contracts, other hedging instruments or other techniques to mitigate the identified risks. The main risks for which such instruments may be appropriate are interest rate risk, liquidity risk, foreign currency risk and commodity price risk, each of which is described below. In addition, where risks could be mitigated by insurance then the FRMC decides whether such insurance is appropriate and cost-effective. FRMC decisions can be implemented directly by Group management or can be delegated from time to time to be implemented by the management of the Customer Sector Groups.

### BHP Billiton Group risk exposures and responses

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

#### Interest rate risk

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

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

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

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

## Notes to Financial Statements continued

### 29 Financial instruments continued

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

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

#### Liquidity risk

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

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

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

- In October 2002 the Group issued its inaugural Eurobond under the US\$1.5 billion Euro Medium Term Note (EMTN) program. The issue of €750 million five-year notes was swapped back to US dollars.
- In April 2003 the Group issued its inaugural Global Bond of US\$850 million with a ten-year maturity.

- In May 2003 the Group increased the EMTN program size from US\$1.5 billion to US\$2.0 billion.
- In June 2003 the Group established a US\$2 billion US commercial paper program and during the same month carried out its first issue off the program.

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

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

#### Credit risk

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

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

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

These risks are categorised under the following headings:

#### **Counterparties**

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

- *Receivables counterparties*  
Sales to BHP Billiton Group customers are made either on open terms or subject to independent payment guarantees. The BHP Billiton Group has no significant concentration of credit risk with any single customer or group of customers.
- *Payment guarantee counterparties*  
These counterparties are comprised of prime financial institutions. Under payment guarantee arrangements, the BHP Billiton Group has no significant concentration of credit risk with any single counterparty or group of counterparties.
- *Hedge counterparties*  
Counterparties to derivatives consist of a large number of prime financial institutions and physical participants in the relevant markets. The BHP Billiton Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

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

#### **Geographic**

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

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

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

#### **Industry**

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

#### **Currency risk**

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

#### **Transactional exposure in respect of non-functional currency expenditure**

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

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

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

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

## Notes to Financial Statements continued

### 29 Financial instruments continued

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

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

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

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

## 29 Financial instruments continued

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

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

**Translational exposure in respect of investments in overseas operations**

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

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

If circumstances arise that render the natural hedge deficient, then specific hedging utilising cross currency swaps may occur. Such action was taken to swap Australian dollar denominated debt to US dollars during

July 2002 as a result of the majority of the BHP Billiton Group's Australian dollar functional currency operations being demerged with BHP Steel. Additionally, UK pounds sterling swaps originally entered into to provide a natural hedge against BHP Billiton Group's UK Petroleum assets were unwound with the underlying debt facilities reverting to US dollar obligations.

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

|  | Weighted average<br>exchange rate |        | Weighted average<br>interest rate payable |           | Weighted average<br>interest rate receivable |           | Principal<br>amount <sup>(a)</sup> |               |
|--|-----------------------------------|--------|---|-----------|--|-----------|------------------------------------|---------------|
|  | 2003                              | 2002   | 2003<br>%                                 | 2002<br>% | 2003<br>%                                    | 2002<br>% | 2003<br>US\$M                      | 2002<br>US\$M |
| <b>Cross currency swaps</b>                  |                                   |        |   |           |  |           |                                    |               |
| <b>US dollar to Australian dollar swaps</b>  |                                   |        |   |           |  |           |                                    |               |
| <i>Pay fixed/receive fixed</i>               |                                   |        |   |           |  |           |                                    |               |
| 2002   | –                                 | 0.6557 | –   | 7.19      | –  | 7.18      | –                                  | 691           |
| 2003   | –                                 | 0.6601 | –   | 6.71      | –  | 6.75      | –                                  | 86            |
| <b>US dollar to UK pounds sterling swaps</b> |                                   |        |   |           |  |           |                                    |               |
| <i>Pay fixed/receive fixed</i>               |                                   |        |   |           |  |           |                                    |               |
| 2002   | –                                 | 0.6002 | –   | 7.45      | –  | 6.60      | –                                  | 415           |
| 2003   | –                                 | 0.5998 | –   | 7.37      | –  | 6.69      | –                                  | 277           |
| 2004   | –                                 | 0.5998 | –   | 7.37      | –  | 6.69      | –                                  | 277           |
| 2005   | –                                 | 0.5998 | –   | 7.37      | –  | 6.69      | –                                  | 277           |
| <b>Japanese yen to US dollar swaps</b>       |                                   |        |   |           |  |           |                                    |               |
| <i>Pay floating/receive fixed</i>            |                                   |        |   |           |  |           |                                    |               |
| 2002   | –                                 | 123.00 | –   | 3.47      | –  | 5.71      | –                                  | 41            |

## Notes to Financial Statements continued

### 29 Financial instruments continued

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

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

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

#### **Translational exposure in respect of non-functional currency monetary items**

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

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

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

29 Financial instruments continued

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

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

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

**Commodity price risk**

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

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

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

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

| BHP Billiton Group                      | Volume     |      | Units      | Average price |              | Term to maturity (months) | Notional amount <sup>(a)</sup> |               |
|---|------------|------|------------|---------------|--------------|---------------------------|--------------------------------|---------------|
|   | 2003       | 2002 |            | 2003<br>US\$  | 2002<br>US\$ |                           | 2003<br>US\$M                  | 2002<br>US\$M |
| <b>Aluminium</b>                        |            |      |            |               |              |                           |                                |               |
| Forwards (buy)                          | <b>792</b> | 412  | 000 tonnes | <b>1 397</b>  | 1 416        | 0–12                      | <b>1 106</b>                   | 583           |
|   | <b>112</b> | 104  | 000 tonnes | <b>1 435</b>  | 1 487        | 13–24                     | <b>161</b>                     | 155           |
|   | <b>50</b>  | 46   | 000 tonnes | <b>1 420</b>  | 1 489        | 25–48                     | <b>71</b>                      | 68            |
|   | <b>1</b>   | –    | 000 tonnes | <b>1 420</b>  | –            | 49–72                     | <b>1</b>                       | –             |
| Forwards (buy) floating <sup>(b)</sup>  | <b>826</b> | 447  | 000 tonnes | –             | –            | 0–12                      | –                              | –             |
|   | <b>127</b> | 127  | 000 tonnes | –             | –            | 13–24                     | –                              | –             |
|   | <b>35</b>  | 46   | 000 tonnes | –             | –            | 25–48                     | –                              | –             |
|   | <b>1</b>   | –    | 000 tonnes | –             | –            | 49–72                     | –                              | –             |
| Forwards (sell)                         | <b>826</b> | 447  | 000 tonnes | <b>1 393</b>  | 1 411        | 0–12                      | <b>1 151</b>                   | 631           |
|   | <b>127</b> | 127  | 000 tonnes | <b>1 421</b>  | 1 475        | 13–24                     | <b>180</b>                     | 187           |
|   | <b>35</b>  | 46   | 000 tonnes | <b>1 416</b>  | 1 473        | 25–48                     | <b>50</b>                      | 68            |
|   | <b>1</b>   | –    | 000 tonnes | <b>1 393</b>  | –            | 49–72                     | <b>1</b>                       | –             |
| Forwards (sell) floating <sup>(b)</sup> | <b>792</b> | 412  | 000 tonnes | –             | –            | 0–12                      | –                              | –             |
|   | <b>112</b> | 104  | 000 tonnes | –             | –            | 13–24                     | –                              | –             |
|   | <b>50</b>  | 46   | 000 tonnes | –             | –            | 25–48                     | –                              | –             |
|   | <b>1</b>   | –    | 000 tonnes | –             | –            | 49–72                     | –                              | –             |
| <b>Copper</b>                           |            |      |            |               |              |                           |                                |               |
| Forwards (buy)                          | <b>37</b>  | 15   | 000 tonnes | <b>1 675</b>  | 1 629        | 0–12                      | <b>62</b>                      | 25            |
| Forwards (buy) floating <sup>(b)</sup>  | <b>52</b>  | 20   | 000 tonnes | –             | –            | 0–12                      | –                              | –             |
| Forwards (sell)                         | <b>52</b>  | 20   | 000 tonnes | <b>1 661</b>  | 1 648        | 0–12                      | <b>87</b>                      | 33            |
| Forwards (sell) floating <sup>(b)</sup> | <b>37</b>  | 15   | 000 tonnes | –             | –            | 0–12                      | –                              | –             |

## Notes to Financial Statements continued

### 29 Financial instruments continued

| BHP Billiton Group                      | Volume |       | Units       | Average price |           | Term to maturity (months) | Notional amount <sup>(a)</sup> |            |
|---|--------|-------|-------------|---------------|-----------|---------------------------|--------------------------------|------------|
|   | 2003   | 2002  |             | 2003 US\$     | 2002 US\$ |                           | 2003 US\$M                     | 2002 US\$M |
| <b>Zinc</b>                             |        |       |             |               |           |                           |                                |            |
| Forwards (buy)                          | 10     | –     | 000 tonnes  | 794           | –         | 0–12                      | 8                              | –          |
| Forwards (buy) floating <sup>(b)</sup>  | 17     | –     | 000 tonnes  | –             | –         | 0–12                      | –                              | –          |
| Forwards (sell)                         | 17     | –     | 000 tonnes  | 804           | –         | 0–12                      | 14                             | –          |
| Forwards (sell) floating <sup>(b)</sup> | 10     | –     | 000 tonnes  | –             | –         | 0–12                      | –                              | –          |
| <b>Lead</b>                             |        |       |             |               |           |                           |                                |            |
| Forwards (buy)                          | 25     | –     | 000 tonnes  | 466           | –         | 0–12                      | 11                             | –          |
| Forwards (buy) floating <sup>(b)</sup>  | 65     | –     | 000 tonnes  | –             | –         | 0–12                      | –                              | –          |
|   | 8      | –     | 000 tonnes  | –             | –         | 13–24                     | –                              | –          |
| Forwards (sell)                         | 65     | –     | 000 tonnes  | 470           | –         | 0–12                      | 31                             | –          |
|   | 8      | –     | 000 tonnes  | 488           | –         | 13–24                     | 4                              | –          |
| Forwards (sell) floating <sup>(b)</sup> | 25     | –     | 000 tonnes  | –             | –         | 0–12                      | –                              | –          |
| <b>Silver</b>                           |        |       |             |               |           |                           |                                |            |
| Forwards (buy)                          | 1 650  | –     | 000 ounces  | 4.73          | –         | 0–12                      | 8                              | –          |
| Forwards (buy) floating <sup>(b)</sup>  | 7 475  | –     | 000 ounces  | –             | –         | 0–12                      | –                              | –          |
| Forwards (sell)                         | 7 475  | –     | 000 ounces  | 4.70          | –         | 0–12                      | 35                             | –          |
| Forwards (sell) floating <sup>(b)</sup> | 1 650  | –     | 000 ounces  | –             | –         | 0–12                      | –                              | –          |
| <b>Petroleum</b>                        |        |       |             |               |           |                           |                                |            |
| Forwards (buy)                          | 8 668  | –     | 000 barrels | 25.45         | –         | 0–12                      | 221                            | –          |
| Forwards (buy) floating <sup>(b)</sup>  | 8 690  | –     | 000 barrels | –             | –         | 0–12                      | –                              | –          |
| Forwards (sell)                         | 8 690  | –     | 000 barrels | 25.49         | –         | 0–12                      | 221                            | –          |
| Forwards (sell) floating <sup>(b)</sup> | 8 668  | –     | 000 barrels | –             | –         | 0–12                      | –                              | –          |
| <b>Energy Coal</b>                      |        |       |             |               |           |                           |                                |            |
| Forwards (buy)                          | 20 451 | 4 405 | 000 tonnes  | 34.49         | 30.58     | 0–12                      | 705                            | 135        |
|   | 5 820  | 1 290 | 000 tonnes  | 36.32         | 31.20     | 13–24                     | 211                            | 40         |
|   | 870    | –     | 000 tonnes  | 35.88         | –         | 25–48                     | 31                             | –          |
| Forwards (buy) floating <sup>(b)</sup>  | 23 515 | 8 630 | 000 tonnes  | –             | –         | 0–12                      | –                              | –          |
|   | 7 035  | 3 480 | 000 tonnes  | –             | –         | 13–24                     | –                              | –          |
|   | 735    | 150   | 000 tonnes  | –             | –         | 25–48                     | –                              | –          |
| Forwards (sell)                         | 23 515 | 8 630 | 000 tonnes  | 34.39         | 31.35     | 0–12                      | 809                            | 271        |
|   | 7 035  | 3 480 | 000 tonnes  | 34.81         | 33.06     | 13–24                     | 245                            | 115        |
|   | 735    | 150   | 000 tonnes  | 31.99         | 35.45     | 25–48                     | 24                             | 5          |
| Forwards (sell) floating <sup>(b)</sup> | 20 451 | 4 405 | 000 tonnes  | –             | –         | 0–12                      | –                              | –          |
|   | 5 820  | 1 290 | 000 tonnes  | –             | –         | 13–24                     | –                              | –          |
|   | 870    | –     | 000 tonnes  | –             | –         | 25–48                     | –                              | –          |
| Purchased calls                         | 105    | 270   | 000 tonnes  | 33.71         | 34.00     | 0–12                      | 4                              | 9          |
|   | –      | 210   | 000 tonnes  | –             | 33.71     | 13–24                     | –                              | 7          |
| Sold puts                               | 270    | 150   | 000 tonnes  | 32.11         | 32.60     | 0–12                      | 9                              | 5          |
|   | –      | 150   | 000 tonnes  | –             | 32.60     | 13–24                     | –                              | 5          |
| Sold calls                              | 645    | 1 500 | 000 tonnes  | 33.83         | 34.01     | 0–12                      | 22                             | 51         |
|   | –      | 1 290 | 000 tonnes  | –             | 34.05     | 13–24                     | –                              | 44         |

29 Financial instruments continued

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

(a) The notional amount represents the face value of each transaction and accordingly expresses the volume of these transactions, but is not a measure of exposure.

(b) Floating commodity prices in future periods will be based on the benchmarks applicable at the time of the price reset.

**Hedging of financial risks**

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

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

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

## Notes to Financial Statements continued

### 29 Financial instruments continued

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

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

<sup>(a)</sup> Included within the book value of short-term and long-term liabilities are finance leases which have been swapped from a fixed interest rate to a floating interest rate and from a ten-year term to a five-year term. The book value of these leases is US\$15 million (2002: US\$26 million). The effect of the swap is to match the initial lease obligation by receiving payments over a ten-year period at a fixed rate and making payments on a floating rate over five years. For the purpose of the disclosures, the book value of the finance leases is shown as it would be excluding the effect of the finance lease swap. The fair value disclosures relate only to the swapped components and reflect the fact that the swap receivable is subject to a fixed rate.

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

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

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

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

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

29 Financial instruments continued

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

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

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

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

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

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

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

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

## Notes to Financial Statements continued

### 29 Financial instruments continued

#### Liquidity exposures

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

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

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

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

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

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

#### Borrowing facilities

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

|   | 2003<br>US\$M | 2002<br>US\$M |
|---|---------------|---------------|
| Expiring in one year or less                  | 1 250         | 1 250         |
| Expiring in more than one year <sup>(a)</sup> | 2 112         | 401           |
|   | 3 362         | 1 651         |

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

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

**Fair value of financial instruments**

The following table presents the book values and fair values of the BHP Billiton Group's financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the BHP Billiton Group could realise in the normal course of business.

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

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

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

## 30 Related parties

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

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

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

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

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

### Share transactions with Directors and Director-related entities

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

On 23 May 2003, agreement was reached with former Chief Executive B P Gilbertson regarding the terms of termination of his employment with the Group, some two and a half years earlier than the date provided under

his contracts. Mr Gilbertson was a participant in the Group's employee share plans. None of the entitlements under those plans that had been granted to him but that had not vested at the date of his termination were transferred. Rather, the entitlements were scaled back to reflect the period of his employment. Mr Gilbertson continues to hold the scaled back entitlements but they remain subject to the same conditions that applied on grant, where pre-determined performance hurdles must be satisfied. Those hurdles will be measured at the same time and in the same manner as for other participants. The number of shares Mr Gilbertson has retained an entitlement to is 228 675 (comprising 63 159 Performance Shares under the Group Incentive Scheme, 123 218 shares under the Restricted Share Scheme and 42 298 shares under the Co-Investment Plan). The number, if any, that might ultimately vest will remain dependent on satisfaction of the performance hurdles.

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

Refer to the Directors' Report for further details in relation to Directors' share interests. In addition, relatives of M A Chaney own 3 914 (2002: 3 914) fully paid ordinary shares and relatives of the current Chief Executive Officer C W Goodyear own 3 671 (2002: 3 671) American Depositary Shares (ADS). Each ADS represents two fully paid ordinary shares.

### Other Director transactions with BHP Billiton Group entities

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

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

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

### Transactions with Director-related entities

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

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

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

### 30 Related parties continued

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

- The Wesfarmers Group received US\$5.015 million during the year ended 30 June 2003 (2002: US\$22.287 million) for products and services provided to the BHP Billiton Group. The Wesfarmers Group paid US\$nil (2002: US\$5.052 million) to the BHP Billiton Group for various products.

- Xerox Corporation received US\$1.831 million during the year ended 30 June 2002 for products and services provided to the BHP Billiton Group. At 30 June 2002 outstanding amounts due to the Xerox Corporation were US\$0.619 million.

### 31 Contingent liabilities

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

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

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

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

## Notes to Financial Statements continued

### 31 Contingent liabilities continued

#### Significant guarantees

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

| Name   | Approximate term of the guarantee and maximum exposure  | Details on how the guarantee arose   | Events or circumstances that require BHP Billiton to perform under the terms of the guarantee   |
|--|---|--|---|
| <b>Bank guarantees of joint ventures and associates</b>  |   |  |   |
| Antamina SA Senior Debt                                  | US\$398 million (2002: US\$423 million) is included as the Group's guarantees of borrowings of joint ventures and associates relating to its 33.75% share of Antamina SA's senior debt. The Group's maximum exposure in relation to this debt is US\$445 million (2002: US\$445 million). Following the satisfaction of several pre-agreed completion tests, the guarantee terminated on 1 July 2003.   | Rio Algom, a wholly-owned subsidiary of the BHP Billiton Group, provided a several pre-completion guarantee of its share of Antamina SA's project financing senior debt.   |   |
| <b>Other – Bank guarantees</b>                           |   |  |   |
| Workcover bank guarantees                                | The term of these guarantees are ongoing as they cover all current and long tail liability claims associated with former Steel businesses and continuing BHP Billiton businesses.<br>Bank guarantees of US\$44 million (2002: US\$nil) in relation to workcover are indemnified in full by BHP Steel.   | These guarantees predominantly relate to guarantees in favour of workcover authorities in various States throughout Australia. Each State's workcover authority requires that a self-insurer put in place guarantees equivalent to the actuarially assessed potential liability. | Failure to meet the financial obligations required under each State's relevant Workcover Act. BHP Steel has indemnified the BHP Billiton Group for any liabilities or loss arising out of or in connection with such guarantees related to BHP Steel. Due to the indemnification provided by BHP Steel the Group considers the risk of transfer of economic benefit to be remote and has therefore not included them in the table above.  |
| <b>Other – Performance guarantees</b>                    |   |  |   |
| Mozal SARL guarantees                                    | Following the satisfaction of several pre-agreed completion tests expected to occur between December 2003 and May 2004, the guarantees will terminate. The project is progressing on schedule with full production estimated to occur by December 2003.<br>The estimated maximum exposure for this guarantee is US\$45 million (2002: US\$25 million) based on the incremental obligation between the Group's ownership interest and the guaranteed amount. | The guarantee arose as part of the funding arrangements for Mozal I. The period of the guarantee was extended as a result of the Mozal II expansion project.   | The Group has an obligation to provide funding to Mozal SARL for any deficiencies arising for the following three reasons: <ul style="list-style-type: none"> <li>• 50% of any cash shortfalls to meet the financial obligations of Mozal SARL;</li> <li>• 49% of any financing shortfalls where funds have not been provided under the financial plan for the Mozal II expansion; and</li> <li>• 49% of any cost overruns in excess of the projected cost set out in the financial plan for the Mozal II expansion.</li> </ul> |
| Charter guarantees of ocean-going transportation vessels | The guarantees extend over a charter period of 15 years. The maximum exposures under these guarantees is US\$59 million (2002: US\$54 million) but reduces over time as the time charter obligations are met.   | The Group has guaranteed the time charter obligations for ocean-going transportation vessels entered into by parties related to the Group.   | These guarantees would be called should the related party fail to honour their obligations under the time charter arrangements.   |

**Current litigation***Ok Tedi Mining Limited*

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

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

On 11 April 2000, two legal actions were commenced in the Victorian Supreme Court against OTML and BHP Billiton Limited. Rex Dagi is plaintiff in the first action, Gabia Gagarimabu is plaintiff in the second action on his own behalf and on behalf of the remaining parties to the Settlement Agreement. Both actions seek specific performance of the Settlement Agreement and/or an injunction to require the implementation by BHP Billiton Limited and OTML of a tailings pipeline and storage system and damages. BHP Billiton and OTML deny that there has been any recommendations regarding a tailings option by an independent inquiry conducted by the State. OTML and BHP Billiton Limited also assert that there has been no breach of the Settlement Agreement and are defending the claims.

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

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

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

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

*Bass Strait – Longford*

Following the 25 September 1998 explosion and fire at Longford, a class action was commenced in the Federal Court of Australia on behalf of Victorian gas consumers and employees stood down by employers during the shortage of gas following those events (together the 'Applicants'). On 12 April 2001, the action was transferred to the Supreme Court of Victoria. The action is against Esso Australia Resources Pty Ltd ('Esso'). Esso has joined the State of Victoria and various entities associated with the State (together the 'State Entities') as cross respondents alleging certain failures and contributory negligence on the part of the State Entities. In turn, following hearing of the claim against Esso the State Entities may join BHP Billiton Petroleum (Bass Strait) Pty Ltd (BHPBP) as a further cross respondent, with the effect that if any sums are recovered against the State Entities they will seek contribution from BHPBP.

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

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

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

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

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

## Notes to Financial Statements continued

### 32 BHP Billiton Plc (unconsolidated parent company)

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

#### BHP Billiton Plc (unconsolidated parent company) balance sheet

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

The BHP Billiton Plc unconsolidated parent company 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

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

## (a) Debtors – amounts due within one year

|                                    | BHP Billiton Plc |           |
|------------------------------------|------------------|-----------|
|                                    | 2003             | 2002      |
|                                    | US\$M            | US\$M     |
| Amounts owed by Group undertakings | 300              | 84        |
| Other debtors                      | 4                | –         |
| Tax recoverable                    | 14               | 13        |
|                                    | <b>318</b>       | <b>97</b> |

## (b) Creditors – amounts falling due within one year

|                                    | BHP Billiton Plc |            |
|------------------------------------|------------------|------------|
|                                    | 2003             | 2002       |
|                                    | US\$M            | US\$M      |
| Bank overdraft                     | 100              | –          |
| Amounts owed to Group undertakings | 656              | 456        |
| Accruals and deferred income       | 9                | 6          |
| Dividends payable                  | 185              | 151        |
|                                    | <b>950</b>       | <b>613</b> |

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

## (c) Provisions for liabilities and charges

|                                  | BHP Billiton Plc |           |
|----------------------------------|------------------|-----------|
|                                  | 2003             | 2002      |
|                                  | US\$M            | US\$M     |
| Employee entitlements            | 41               | 6         |
| Restructuring                    | 2                | 3         |
| Post-retirement medical benefits | 1                | 1         |
|                                  | <b>44</b>        | <b>10</b> |

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

## (d) Reserves

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

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

## Notes to Financial Statements continued

32 BHP Billiton Plc (unconsolidated parent company) continued

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

(e) Reconciliation of movements in shareholders' funds

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

#### Parent company guarantees

BHP Billiton Plc has guaranteed certain financing facilities available to subsidiaries. At 30 June 2003 such facilities totalled US\$1 016 million (2002: US\$614 million) of which US\$816 million (2002: US\$258 million) was drawn.

Under the terms of a deed poll guarantee BHP Billiton Plc has also guaranteed certain current and future liabilities of BHP Billiton Ltd. At 30 June 2003 the guaranteed liabilities amounted to US\$3 737 million (2002: US\$4 345 million).

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

### 33 US Generally Accepted Accounting Principles disclosures

The financial statements of the BHP Billiton Group are prepared in accordance with UK Generally Accepted Accounting Principles (GAAP). The financial statements, analyses and reconciliations presented in this note represent the financial information which would be required if US GAAP had been applied instead of UK GAAP.

#### Reconciliation to US GAAP

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

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

## Notes to Financial Statements continued

### 33 US Generally Accepted Accounting Principles disclosures continued

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

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

33 US Generally Accepted Accounting Principles disclosures continued

|  | 2003<br>US\$ | 2002<br>US\$ | 2001<br>US\$ |
|--|--------------|--------------|--------------|
| <b>Earnings per share – US GAAP</b> <sup>(a)(b)</sup>      |              |              |              |
| Basic – Continuing Operations                              | 0.25         | 0.25         | 0.19         |
| Diluted – Continuing Operations                            | 0.25         | 0.25         | 0.19         |
| Basic – Discontinued Operations                            | –            | (0.04)       | 0.04         |
| Diluted – Discontinued Operations                          | –            | (0.04)       | 0.04         |
| Basic – cumulative effect of change in accounting policy   | –            | –            | 0.01         |
| Diluted – cumulative effect of change in accounting policy | –            | –            | 0.01         |
| Basic – net income   | 0.25         | 0.21         | 0.24         |
| Diluted – net income                                       | 0.25         | 0.21         | 0.24         |

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

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

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

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

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

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

## Notes to Financial Statements continued

### 33 US Generally Accepted Accounting Principles disclosures continued

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

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

### 33 US Generally Accepted Accounting Principles disclosures continued

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

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

|   | Unadjusted<br>30 June<br>2003<br>US\$M | Adjustments<br>30 June<br>2003<br>US\$M | US GAAP<br>30 June<br>2003<br>US\$M | Unadjusted<br>30 June<br>2002<br>US\$M | Adjustments<br>30 June<br>2002<br>US\$M | US GAAP<br>30 June<br>2002<br>US\$M |
|---|--|---|-------------------------------------|--|---|-------------------------------------|
| <b>Balance Sheet</b>                                      |  |   |                                     |  |   |                                     |
| <b>Assets</b>   |  |   |                                     |  |   |                                     |
| <i>Current assets</i>                                     |  |   |                                     |  |   |                                     |
| Cash  | 1 552                                  | –                                       | 1 552                               | 1 413                                  | –                                       | 1 413                               |
| Restricted cash   | –                                      | 275                                     | 275                                 | –                                      | 273                                     | 273                                 |
| Receivables   | 2 095                                  | (8)                                     | 2 087                               | 2 151                                  | (251)                                   | 1 900                               |
| Other financial assets                                    | 143                                    | 70                                      | 213                                 | 116                                    | –                                       | 116                                 |
| Inventories   | 1 328                                  | –                                       | 1 328                               | 1 160                                  | –                                       | 1 160                               |
| Other assets  | 129                                    | –                                       | 129                                 | 100                                    | 93                                      | 193                                 |
| <b>Total current assets – continuing operations</b>       | <b>5 247</b>                           | <b>337</b>                              | <b>5 584</b>                        | <b>4 940</b>                           | <b>115</b>                              | <b>5 055</b>                        |
| <b>Total current assets – discontinued operations</b>     | <b>–</b>                               | <b>–</b>                                | <b>–</b>                            | <b>748</b>                             | <b>–</b>                                | <b>748</b>                          |
| <b>Total current assets</b>                               | <b>5 247</b>                           | <b>337</b>                              | <b>5 584</b>                        | <b>5 688</b>                           | <b>115</b>                              | <b>5 803</b>                        |
| <i>Non-current assets</i>                                 |  |   |                                     |  |   |                                     |
| Receivables   | 897                                    | (369)                                   | 528                                 | 882                                    | (337)                                   | 545                                 |
| Investments accounted for using the equity method         | 1 403                                  | 1 000                                   | 2 403                               | 1 505                                  | 1 037                                   | 2 542                               |
| Other financial assets                                    | 150                                    | 115                                     | 265                                 | 489                                    | 10                                      | 499                                 |
| Inventories   | 51                                     | –                                       | 51                                  | 45                                     | –                                       | 45                                  |
| Property, plant and equipment                             | 19 809                                 | 2 423                                   | 22 232                              | 17 692                                 | 2 192                                   | 19 884                              |
| Intangible assets   | –                                      | 56                                      | 56                                  | –                                      | 39                                      | 39                                  |
| Goodwill  | 7                                      | 3 179                                   | 3 186                               | 9                                      | 3 180                                   | 3 189                               |
| Deferred tax assets                                       | 447                                    | 19                                      | 466                                 | 462                                    | 67                                      | 529                                 |
| Other assets  | 354                                    | (124)                                   | 230                                 | 796                                    | (100)                                   | 696                                 |
| <b>Total non-current assets – continuing operations</b>   | <b>23 118</b>                          | <b>6 299</b>                            | <b>29 417</b>                       | <b>21 880</b>                          | <b>6 088</b>                            | <b>27 968</b>                       |
| <b>Total non-current assets – discontinued operations</b> | <b>–</b>                               | <b>–</b>                                | <b>–</b>                            | <b>1 984</b>                           | <b>40</b>                               | <b>2 024</b>                        |
| <b>Total non-current assets</b>                           | <b>23 118</b>                          | <b>6 299</b>                            | <b>29 417</b>                       | <b>23 864</b>                          | <b>6 128</b>                            | <b>29 992</b>                       |
| <b>Total assets</b>                                       | <b>28 365</b>                          | <b>6 636</b>                            | <b>35 001</b>                       | <b>29 552</b>                          | <b>6 243</b>                            | <b>35 795</b>                       |

## Notes to Financial Statements continued

### 33 US Generally Accepted Accounting Principles disclosures continued

|  | Unadjusted<br>30 June<br>2003<br>US\$M | Adjustments<br>30 June<br>2003<br>US\$M | US GAAP<br>30 June<br>2003<br>US\$M | Unadjusted<br>30 June<br>2002<br>US\$M | Adjustments<br>30 June<br>2002<br>US\$M | US GAAP<br>30 June<br>2002<br>US\$M |
|--|--|---|-------------------------------------|--|---|-------------------------------------|
| <b>Balance Sheet</b> <small>continued</small>                  |  |   |                                     |  |   |                                     |
| <b>Liabilities and shareholders' equity</b>                    |  |   |                                     |  |   |                                     |
| <i>Current liabilities</i>                                     |  |   |                                     |  |   |                                     |
| Payables   | 2 267                                  | –                                       | 2 267                               | 2 143                                  | 100                                     | 2 243                               |
| Interest bearing liabilities                                   | 898                                    | –                                       | 898                                 | 1 884                                  | (141)                                   | 1 743                               |
| Tax liabilities  | 322                                    | 22                                      | 344                                 | 518                                    | –                                       | 518                                 |
| Other provisions   | 1 141                                  | 1                                       | 1 142                               | 1 009                                  | (9)                                     | 1 000                               |
| <b>Total current liabilities – continuing operations</b>       | <b>4 628</b>                           | <b>23</b>                               | <b>4 651</b>                        | <b>5 554</b>                           | <b>(50)</b>                             | <b>5 504</b>                        |
| <b>Total current liabilities – discontinued operations</b>     | <b>–</b>                               | <b>–</b>                                | <b>–</b>                            | <b>448</b>                             | <b>–</b>                                | <b>448</b>                          |
| <b>Total current liabilities</b>                               | <b>4 628</b>                           | <b>23</b>                               | <b>4 651</b>                        | <b>6 002</b>                           | <b>(50)</b>                             | <b>5 952</b>                        |
| <i>Non-current liabilities</i>                                 |  |   |                                     |  |   |                                     |
| Payables   | 195                                    | –                                       | 195                                 | 121                                    | 16                                      | 137                                 |
| Interest bearing liabilities                                   | 6 426                                  | (12)                                    | 6 414                               | 6 329                                  | (33)                                    | 6 296                               |
| Tax liabilities  | 1 434                                  | 1 609                                   | 3 043                               | 1 364                                  | 1 471                                   | 2 835                               |
| Other provisions   | 3 351                                  | 186                                     | 3 537                               | 2 661                                  | 33                                      | 2 694                               |
| <b>Total non-current liabilities – continuing operations</b>   | <b>11 406</b>                          | <b>1 783</b>                            | <b>13 189</b>                       | <b>10 475</b>                          | <b>1 487</b>                            | <b>11 962</b>                       |
| <b>Total non-current liabilities – discontinued operations</b> | <b>–</b>                               | <b>–</b>                                | <b>–</b>                            | <b>393</b>                             | <b>–</b>                                | <b>393</b>                          |
| <b>Total non-current liabilities</b>                           | <b>11 406</b>                          | <b>1 783</b>                            | <b>13 189</b>                       | <b>10 868</b>                          | <b>1 487</b>                            | <b>12 355</b>                       |
| <b>Total liabilities</b>                                       | <b>16 034</b>                          | <b>1 806</b>                            | <b>17 840</b>                       | <b>16 870</b>                          | <b>1 437</b>                            | <b>18 307</b>                       |
| <b>Equity minority interests</b>                               | <b>318</b>                             | <b>11</b>                               | <b>329</b>                          | <b>326</b>                             | <b>15</b>                               | <b>341</b>                          |
| <i>Shareholders' equity</i>                                    |  |   |                                     |  |   |                                     |
| Paid in capital  | 3 517                                  | 5 210                                   | 8 727                               | 4 895                                  | 5 088                                   | 9 983                               |
| Other equity items   | 362                                    | (239)                                   | 123                                 | 471                                    | (266)                                   | 205                                 |
| Retained profits   | 8 134                                  | (152)                                   | 7 982                               | 6 990                                  | (31)                                    | 6 959                               |
| <b>Total shareholders' equity</b>                              | <b>12 013</b>                          | <b>4 819</b>                            | <b>16 832</b>                       | <b>12 356</b>                          | <b>4 791</b>                            | <b>17 147</b>                       |
| <b>Total liabilities and shareholders' equity</b>              | <b>28 365</b>                          | <b>6 636</b>                            | <b>35 001</b>                       | <b>29 552</b>                          | <b>6 243</b>                            | <b>35 795</b>                       |

33 US Generally Accepted Accounting Principles disclosures continued

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

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

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

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

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

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

## Notes to Financial Statements continued

### 33 US Generally Accepted Accounting Principles disclosures continued

#### Additional US GAAP information – Predecessor entity

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

#### Statement of cash flows

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

|  | 2001<br>US\$M |
|--|---------------|
| <b>Cash flows related to operating activities</b>  |               |
| Receipts from customers  | 11 361        |
| Payments to suppliers, employees, etc.   | (7 975)       |
| Dividends received   | 44            |
| Interest received  | 63            |
| Borrowing costs  | (350)         |
| HBI Venezuela guarantee payment  | (331)         |
| Exploration expenditure  | (279)         |
| Other  | 209           |
| Operating cash flows before income tax   | 2 742         |
| Income taxes paid net of refunds received  | (328)         |
| <b>Net cash provided by operating activities in accordance with US GAAP</b>  | <b>2 414</b>  |
| <b>Cash flows related to investing activities</b>  |               |
| Purchases of property, plant and equipment   | (1 058)       |
| Purchases of investments   | (369)         |
| Purchases of, or increased investment in, controlled entities and joint venture interests net of their cash <sup>(a)</sup> | 308           |
| Investing cash outflows (net)  | (1 119)       |
| Proceeds from sale of property, plant and equipment  | 88            |
| Proceeds from sale or redemption of investments  | 245           |
| Proceeds from OneSteel spin-off  | 355           |
| Proceeds from sale or partial sale of controlled entities and joint venture interests net of their cash                    | 219           |
| <b>Net cash used in investing activities in accordance with US GAAP</b>  | <b>(212)</b>  |

**Statement of cash flows** continued

|   | 2001<br>US\$M |
|---|---------------|
| <b>Cash flows related to financing activities</b>                           |               |
| Proceeds from ordinary share issues, etc.                                   | 76            |
| Proceeds from interest bearing liabilities                                  | 414           |
| Repayment of interest bearing liabilities                                   | (1 460)       |
| Dividends paid  | (498)         |
| <b>Net cash provided by financing activities in accordance with US GAAP</b> | (1 468)       |
| Exchange translation effects  | (74)          |
| <b>Net increase in cash and cash equivalents in accordance with US GAAP</b> | 660           |
| Cash and cash equivalents at beginning of period                            | 625           |
| Cash and cash equivalents at end of period                                  | 1 285         |
| <b>At year end cash and cash equivalents is made up of:</b>                 |               |
| Cash at bank and in hand  | 836           |
| Money market deposits <sup>(b)</sup>  | 449           |
| <b>Cash and cash equivalents at end of period <sup>(c)</sup></b>            | 1 285         |

<sup>(a)</sup> Net of cash received of US\$687 million in the merger with BHP Billiton Plc.

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

<sup>(c)</sup> At 30 June 2001, cash and cash equivalents is comprised of cash from Continuing Operations of US\$1 147 million and cash from Discontinued Operations of US\$138 million.

**Shareholders' equity**

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

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

## Notes to Financial Statements continued

### 33 US Generally Accepted Accounting Principles disclosures continued

#### Income tax

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

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

#### Segment information

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

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

**Segment information** continued

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

(a) Net profit is before deducting minority interests.

**Basis of presentation under US GAAP****DLC merger**

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

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

**Restricted cash**

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

**Debtors**

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

**Joint ventures and joint arrangements**

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

The BHP Billiton Group's investment in the Richards Bay Minerals (RBM) joint venture is comprised of two legal entities, Tisand (Pty) Limited and Richards Bay Iron and Titanium (Pty) Limited. Although the BHP Billiton Group owns 51 per cent of Tisand (Pty) Limited, it has not been consolidated under US GAAP in accordance with EITF 96-16 'Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights'. The substantive participating rights of the minority interests holder in Tisand (Pty) Limited are embodied in the

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shareholder agreement between the BHP Billiton Group and Rio Tinto, the co-venturer. The shareholder agreement ensures that the RBM joint venture functions as a single economic entity. The overall profit of the RBM joint venture is also shared equally between the venturers. The shareholder agreement also states that the parties agree that they shall as their first priority seek the best interests of the project as an autonomous commercial operation rather than seek to service the individual interests of any of the other parties.

The BHP Billiton Group holds a 57.5 per cent ownership interest in Minera Escondida, a joint arrangement in which three other participants hold ownership interests of 30 per cent, 10 per cent and 2.5 per cent, respectively. The rights of the participants are governed by a Participants' Agreement and a Management Agreement. A manager provides management and support services to the project and the compensation of the manager is set forth in the Management Agreement. The Management Agreement establishes an Owners' Council, consisting of members appointed by each participant to represent their interest in Escondida. Each member on the Owners' Council holds voting rights equal to the ownership interest of the participant they represent, although certain matters require the affirmative vote of members of the Owners' Council having in aggregate voting rights equal to or greater than 75 per cent of the total ownership interest. Such matters generally include capital expenditure in excess of prescribed limits, sales of copper concentrate to a single customer, capacity expansions, the termination of construction, mining or production of copper concentrates, and indebtedness. The Agreement also stipulates that certain matters shall require the affirmative vote of all members of the Owners' Council having an ownership interest of 10 per cent or more. Those matters generally relate, within prescribed limits, to changes in the project, changes in the construction budget, the sale or transfer of any Escondida concessions, asset dispositions, agreements between Escondida and a participant, and share or other equity interest issuances in Escondida. In accordance with IFRS 9-16, the BHP Billiton Group has not consolidated this investment.

#### **Foreign exchange gains and losses**

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

#### **Cash flows**

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

#### **US GAAP adjustments**

##### *(A) Elimination of the BHP Billiton Plc Group financial information*

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

##### *(B) Acquisition of BHP Billiton Plc*

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

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

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

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

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

- (ii) The increase in investments relates to increases to the BHP Billiton Plc Group's equity investments. These equity investments have been measured at fair value and any excess of the fair value over the underlying tangible assets and liabilities has been attributed to mineral reserves within the underlying investments. These uplifts to mineral properties are being amortised over their estimated useful lives on a unit of production and, on an investment-by-investment basis. The estimated useful lives are not expected to exceed 30 years.
- (iii) The increase in property, plant and equipment relates to increases in the carrying value of the BHP Billiton Plc Group's property, plant and equipment to their estimated fair value. The increase in carrying value of the property, plant and equipment is to be amortised over the estimated useful life of the property, plant and equipment, primarily on a unit of production basis. The estimated useful lives range between one year and 33 years. During December 1998, the BHP Billiton Plc Group acquired certain assets from the BHP Billiton Limited Group. The BHP Billiton Plc Group recognised certain fair value adjustments as a result of this acquisition, which are being amortised over their useful lives. As a result of the application of merger accounting under UK GAAP, the fair value adjustments are reversed. For US GAAP these fair value adjustments are reinstated.
- (iv) The amount of total consideration allocated to the BHP Billiton Plc Group's developed and undeveloped properties has been estimated by the BHP Billiton Group management using current estimates of the status and prospects of the BHP Billiton Plc Group's developed and undeveloped property portfolio as contained in the BHP Billiton Plc Group's strategic plans. The undeveloped properties include only those identified properties where management believes reasonable estimates of projected cash flows can be prepared and proven and probable reserves exist. The value allocated to the developed and undeveloped properties was determined utilising a risk-adjusted income approach that included earnings discounted by the appropriate cost of capital for the investment. Estimates of future cash flows related to individual developed and undeveloped properties were based on existing estimates of revenues and contribution margin for the project. The increase in developed properties is being amortised over their estimated exploitable useful lives on a project-by-project basis. Amortisation for each project is deferred until such time as production commences.
- (v) The long-term contracts were attributed a fair value.
- (vi) Goodwill represents the remainder of unallocated purchase consideration. With effect from 1 July 2002, amortisation of goodwill ceased on application of Statement of Financial Accounting Standard No. 142 'Goodwill and Other Intangible Assets' and is now subject to periodic impairment tests.
- (vii) The decrease in long-term debt was as a result of attributing a fair value to fixed interest rate long-term loans which were not recorded at fair value in the BHP Billiton Plc Group's financial statements.
- (viii) Deferred taxes have been computed on the excess of fair value over book value, other than for goodwill, using the applicable statutory tax rates.

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

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

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

*(C) BHP Steel demerger*

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

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

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

#### *(D) Employee compensation costs*

Under UK GAAP, the expected cost of awards is measured as the difference between the award exercise price and the market price of ordinary shares at the grant date, and is amortised over the vesting period. Under US GAAP, for the years ended 30 June 2002 and 2001, the Group accounted for employee ownership plans under the recognition and measurement provisions of APB Opinion No. 25 'Accounting for Stock Issued to Employees', and related Interpretations. In 2003, the Group adopted the fair value recognition provisions of Statement of Financial Accounting Standard No. 123, 'Accounting for Stock-Based Compensation' (SFAS 123), which is considered by the US Securities and Exchange Commission (SEC) to be a preferable accounting method for share-based employee compensation. As permitted by the modified prospective method of Statement of Financial Accounting Standard 148, 'Accounting for Stock-Based Compensation Transition and Disclosure', the compensation cost recognised in 2003 is measured as if the recognition provisions of SFAS 123 had been applied to all awards granted, modified, or settled after 1 July 1995. Prior periods have not been restated. The transition to SFAS 123 resulted in a debit to equity of US\$1 million at 1 July 2002 for awards that were unvested, or in the case of certain variable awards unexercised as of 1 July 2002, to reflect the recognition provisions of SFAS 123.

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

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

#### *(E) Write-down of assets*

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

#### *(F) Depreciation – revaluations*

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

#### *(G) Depreciation – reserves*

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

#### *(H) Restructuring and employee provisions*

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

#### *(I) Fair value accounting for derivatives*

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

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

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

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

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

In the year ended 30 June 2001, subsequent gains and losses on cash flow hedges were taken to other comprehensive income and reclassified to profit and loss in the same period the hedged transaction was recognised. Gains and losses on fair value hedges continue to be taken to profit and loss in subsequent periods, as are offsetting gains and losses on hedged liabilities. In both cases, these gains and losses are not recognised under UK GAAP until the hedged transaction is recognised.

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

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

*(J) Synthetic debt*

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

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

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

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

*(L) Exploration, evaluation and development expenditures*

The BHP Billiton Group follows the 'successful efforts' method under UK GAAP in accounting for petroleum exploration, evaluation and development expenditures. This method differs from the 'successful efforts' method followed by some US companies, and adopted in this reconciliation to US GAAP, in that it permits certain exploration costs in defined areas of interest to be capitalised. Such expenditure capitalised by the BHP Billiton Group is amortised in subsequent years. In respect of Minerals properties, the BHP Billiton Group capitalises exploration and evaluation expenditure where it is expected that the expenditure will be recouped by future exploitation or sale or where a mineral resource has been identified but activities have not reached a stage, which permits a reasonable assessment of the existence of commercially recoverable reserves. Under US GAAP, a final feasibility study indicating the existence of commercially recoverable reserves at new exploratory 'greenfield'

properties serves as the trigger point for capitalisation. US GAAP permits expenditure to be capitalised for the purposes of extending or further delineating existing reserves. In subsequent financial periods, amortisation or write-offs of expenditure previously capitalised under UK GAAP, which would have been expensed for US GAAP purposes, will be added back when determining the profit result according to US GAAP.

*(M) Start-up costs*

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

*(N) Profit on asset sales*

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

*(O) Pension plans*

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

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

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

*(P) Other post-retirement benefits*

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

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

*(Q) Mozal expansion rights*

In June 2001, (prior to the DLC merger) BHP Billiton announced an agreement to sell-down a portion of its preferential rights in the Mozal Phase II project to two of its project partners. In the year ended 30 June 2001, under UK GAAP, the consideration was recognised as revenue. A portion of the consideration will be paid in cash and another portion will be delivered to the BHP Billiton Group via a marketing arrangement once production has commenced. This deferred portion will be amortised to the

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profit and loss account over the period of the sales contract. Under US GAAP, the consideration paid in cash will be recognised as profit from asset sales when received and the marketing arrangement portion is considered a derivative and has been recognised on the balance sheet and marked to market with movements in fair value being taken to the profit and loss account. This portion is included in the adjustment 'Fair value accounting for derivatives'.

#### *(R) Goodwill*

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

#### *(S) Employee Share Plan loans*

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

#### *(T) Purchase business combination costs*

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

#### *(U) Expenses on spin-off of OneSteel*

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

#### *(V) Restoration and rehabilitation costs*

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

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

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

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

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

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

#### *(X) Other taxation adjustments*

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

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

#### *(Y) Investments*

As part of its exploration strategy, the Group makes use of junior exploration companies (junior) to leverage its exploration spend. This generally involves the Group receiving shares in the junior and an option to enter into a joint venture over specific properties the junior is exploring, in exchange for the Group contributing cash, exploration properties or other interests to the junior. Usually there is an agreement for the cash

to be spent only on exploration of the specified properties. Under UK GAAP, cash contributions (which usually take the form of subscription for shares in the junior) are expensed as exploration costs and no gain is recorded when properties are contributed to the joint venture. The US GAAP treatment is similar to UK GAAP except that investments in juniors with publicly traded shares are carried at their fair value, as available for sale securities, with unrealised changes in value recorded in other comprehensive income until realised or an other-than-temporary impairment occurs.

*(Z) Secondary share issuance*

During September 2000, BHP Billiton Plc undertook a secondary issuance of shares on the London Stock Exchange. The shares were issued in

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

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

### Employee compensation costs

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

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

<sup>(a)</sup> Based on net profit attributable to members of BHP Billiton Group under US GAAP.

<sup>(b)</sup> Refer note 12 'Earnings per share'.

### Goodwill and other intangible assets

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

## Notes to Financial Statements continued

### 33 US Generally Accepted Accounting Principles disclosures continued

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

|                                 | As at<br>30 June 2003 <sup>(a)</sup><br>US\$M | As at<br>1 July 2002<br>US\$M |
|---------------------------------|---|-------------------------------|
| Aluminium                       | 1 426   | 1 426                         |
| Base Metals                     | 594   | 597                           |
| Carbon Steel Materials          | 285   | 285                           |
| Diamonds and Specialty Products | 154   | 154                           |
| Energy Coal                     | 384   | 384                           |
| Stainless Steel Materials       | 343   | 343                           |
|                                 | <b>3 186</b>                                  | <b>3 189</b>                  |

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

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

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

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

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

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

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

|   | 2003<br>US\$M | 2002<br>US\$M |
|---|---------------|---------------|
| Pension asset                                     | 19            | –             |
| Other intangible assets                           |               |               |
| Long-term customer contracts at gross book value  | 40            | 40            |
| <i>deduct</i> amounts amortised <sup>(a)(b)</sup> | 3             | 1             |
|   | <b>56</b>     | <b>39</b>     |

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

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

#### Impact of new accounting standards

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

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

- (a) mandatory redeemable shares;
- (b) instruments other than shares that could require the issuer to buy back some of its shares in exchange for cash or other assets; and
- (c) obligations that can be settled with shares, the monetary value of which is either:
  - (i) fixed,
  - (ii) tied to the value of a variable other than the issuer's shares, or
  - (iii) varies inversely with the value of the issuer's shares.

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

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

- (a) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or
- (b) the equity investors lack:
  - (i) the ability to make decisions about the entity's activities,
  - (ii) the obligation to absorb the losses of the entity if they occur, and
  - (iii) the right to receive the expected residual returns of the entity if they occur.

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

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

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

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

## Notes to Financial Statements continued

### 33 US Generally Accepted Accounting Principles disclosures continued

#### Pensions and post-retirement benefit plans

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

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

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

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

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

33 US Generally Accepted Accounting Principles disclosures continued

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

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

|                                   | 2003<br>US\$M | 2002<br>US\$M |
|-----------------------------------|---------------|---------------|
| <b>Funded status</b>              |               |               |
| Funded status                     | (279)         | (176)         |
| Unrecognised net actuarial loss   | 346           | 270           |
| Unrecognised prior service cost   | 19            | 7             |
| Unrecognised net transition asset | (5)           | (8)           |
| Net amount recognised             | 81            | 93            |

|  | 2003<br>US\$M | 2002<br>US\$M |
|--|---------------|---------------|
| <b>Analysis of net amount recognised</b> |               |               |
| Prepaid benefit obligation               | 47            | 150           |
| (Accumulated) benefit obligation         | (213)         | (138)         |
| Intangible asset                         | 19            | 7             |
| Accumulated other comprehensive income   | 228           | 74            |
| Net amount recognised                    | 81            | 93            |

**Post-retirement medical benefits**

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

## Notes to Financial Statements continued

### 33 US Generally Accepted Accounting Principles disclosures continued

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

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

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

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

### 34 Supplementary oil and gas information (unaudited)

#### Reserves and production

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

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

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

<sup>(b)</sup> Production for reserves reconciliation differs slightly from marketable production due to timing of sales and corrections to previous estimates.

<sup>(c)</sup> Total proved oil, condensate and LPG reserves include 20.9 million barrels derived from probabilistic aggregation procedures.

## Notes to Financial Statements continued

### 34 Supplementary oil and gas information (unaudited) continued

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

<sup>(a)</sup> Production for Australia includes gas sold as LNG.

<sup>(b)</sup> Production for reserves differs slightly from marketable production due to timing of sales and corrections to previous estimates.

<sup>(c)</sup> Total proved natural gas reserves include 233.2 billion cubic feet derived from probabilistic aggregation procedures.

34 Supplementary oil and gas information (unaudited) continued

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

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

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

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

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

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

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

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

Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of geological and geophysical activities and drilling of exploratory wells. Development costs were all expended to develop booked proved undeveloped reserves.

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

(a) Represents gross exploration expenditure.

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

## Notes to Financial Statements continued

### 34 Supplementary oil and gas information (unaudited) continued

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

The following information is similar to the disclosures in note 4 'Analysis by business segment' but differs in several respects as to the level of detail and geographic presentation. Amounts shown in the following table exclude interest income and borrowing costs, general corporate administrative costs and downstream processing of oil and gas into other products for resale. Petroleum general and administrative costs relating to oil and gas activities are included.

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

Revenues are reflected net of royalties but before reduction of production taxes. Revenues include sales to affiliates but amounts are not significant.

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

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

<sup>(b)</sup> Includes profit on sale of assets.

<sup>(c)</sup> Amounts shown exclude general corporate overheads and downstream processing of oil and gas into products for resale and, accordingly, do not represent all of the operations attributable to the Petroleum segment presented in note 4. There are no equity minority interests.

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

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

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

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

Future cash inflows are then reduced by future costs of producing and developing the period end proved reserves based on costs in effect at

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

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

|  | Australia/Asia<br>US\$M | Americas<br>US\$M | UK/Middle East<br>US\$M | Total<br>US\$M |
|--|-------------------------|-------------------|-------------------------|----------------|
| <b>Standardised measure</b>                |                         |                   |                         |                |
| <b>2003</b>                                |                         |                   |                         |                |
| Future cash inflows                        | 21 689                  | 4 992             | 4 107                   | 30 788         |
| Future production costs                    | (7 922)                 | (837)             | (1 013)                 | (9 772)        |
| Future development costs <sup>(a)(b)</sup> | (2 945)                 | (1 326)           | (242)                   | (4 513)        |
| Future income taxes                        | (3 143)                 | (865)             | (620)                   | (4 628)        |
| Future net cash flows                      | 7 679                   | 1 964             | 2 232                   | 11 875         |
| Discount at 10% per annum                  | (3 816)                 | (745)             | (856)                   | (5 417)        |
| Standardised measure                       | 3 863                   | 1 219             | 1 376                   | 6 458          |
| <b>2002</b>                                |                         |                   |                         |                |
| Future cash inflows                        | 19 439                  | 4 489             | 4 020                   | 27 948         |
| Future production costs                    | (7 209)                 | (975)             | (1 067)                 | (9 251)        |
| Future development costs                   | (2 484)                 | (1 342)           | (450)                   | (4 276)        |
| Future income taxes                        | (2 909)                 | (695)             | (620)                   | (4 224)        |
| Future net cash flows                      | 6 837                   | 1 477             | 1 883                   | 10 197         |
| Discount at 10% per annum                  | (3 363)                 | (757)             | (597)                   | (4 717)        |
| Standardised measure                       | 3 474                   | 720               | 1 286                   | 5 480          |

## Notes to Financial Statements continued

### 34 Supplementary oil and gas information (unaudited) continued

|                                       | Australia/Asia<br>US\$M | Americas<br>US\$M | UK/Middle East<br>US\$M | Total<br>US\$M |
|---------------------------------------|-------------------------|-------------------|-------------------------|----------------|
| <b>Standardised measure</b> continued |                         |                   |                         |                |
| <b>2001</b>                           |                         |                   |                         |                |
| Future cash inflows                   | 19 533                  | 2 637             | 3 173                   | 25 343         |
| Future production costs               | (6 174)                 | (750)             | (954)                   | (7 878)        |
| Future development costs              | (2 586)                 | (649)             | (220)                   | (3 455)        |
| Future income taxes                   | (3 148)                 | (415)             | (551)                   | (4 114)        |
| Future net cash flows                 | 7 625                   | 823               | 1 448                   | 9 896          |
| Discount at 10% per annum             | (3 792)                 | (293)             | (402)                   | (4 487)        |
| Standardised measure                  | 3 833                   | 530               | 1 046                   | 5 409          |

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

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

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

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

(a) Changes in reserves quantities are shown in the notes to the Oil and Gas Reserves.

(b) Includes the effect of foreign exchange and changes in future development costs.

(c) Reflects the sale of Buffalo oil field in Northern Australia on 30 March 2001.

34 Supplementary oil and gas information (unaudited) continued

**Production**

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

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

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

(b) LNG consists primarily of liquefied methane.

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

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

## 35 Supplementary mineral resource and ore reserves information (unaudited)

The statement of Mineral Resources and Ore Reserves presented in this report has been produced in accordance with the Australasian Code for reporting of Mineral Resources and Ore Reserves, September 1999 (the 'JORC Code'). Commodity prices and exchange rates used to estimate the economic viability of reserves are based on September 2002, BHP Billiton long-term forecasts unless otherwise stated. The Ore Reserves tabulated are all held within existing, fully permitted mining tenements. The BHP Billiton Group's mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leased properties to be mined in accordance with current production schedules.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by Competent Persons (as defined in the JORC code) or for operations located outside Australia by Recognised Mining Professionals, defined as a member of a recognised mining professional body. All Competent Persons and Recognised Mining Professionals have, at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as

defined by the JORC Code. Each Competent Person consents to the inclusion in this Report of the matters based on their information in the form and context in which it appears.

All of the Mineral Resource and Ore Reserve figures presented are reported in 100 per cent terms, and represent estimates at 30 June 2003 (unless otherwise stated). All tonnes and grade information has been rounded; hence small differences may be present in the totals. All of the Mineral Resource information (unless otherwise stated) is inclusive of Mineral Resources that have been converted to Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

The information contained herein differs in certain respects from that reported to the US Securities and Exchange Commission (SEC) which is prepared with reference to the SEC's Industry Guide 7. BHP Billiton's US GAAP disclosures reflect the information reported to the SEC.

Ore Reserves and Mineral Resources are presented in the accompanying tables subdivided for each of the Customer Sector Groups.

### Aluminium Customer Sector Group

#### Mineral Resources

The table below details the Mineral Resources for the Aluminium Customer Sector Group as at 30 June 2003 and is presented in 100 per cent terms.

| Bauxite Deposits <sup>(6)</sup> | Measured Resources |                          | Indicated Resources |                          | Inferred Resources |                          | Total Resources   | BHP Billiton Interest |
|---------------------------------|--------------------|--------------------------|---------------------|--------------------------|--------------------|--------------------------|-------------------|-----------------------|
|                                 | Tonnes (millions)  | Alumina <sup>(4)</sup> % | Tonnes (millions)   | Alumina <sup>(4)</sup> % | Tonnes (millions)  | Alumina <sup>(4)</sup> % | Tonnes (millions) |                       |
| <b>Australia</b> <sup>(1)</sup> |                    |                          |                     |                          |                    |                          |                   |                       |
| Worsley                         | 339                | 30.7                     | 156                 | 33                       | 65                 | 32.2                     | 560               | 86                    |
| <b>Suriname</b> <sup>(2)</sup>  |                    |                          |                     |                          |                    |                          |                   |                       |
| Lelydorp, Para N & Kankantie N  | 9.7                | 59.6                     | 16.4                | 58.0                     | –                  | –                        | 26.1              | 76                    |
| <b>Brazil</b> <sup>(3)(5)</sup> |                    |                          |                     |                          |                    |                          |                   |                       |
| MRN Crude                       | 171                | –                        | 34                  | –                        | 860                | –                        | 1 064             | 14.8                  |
| MRN Washed                      | 122                | 50.5                     | 26                  | 51.3                     | 600                | 50.4                     | 748               | 14.8                  |

(1) Worsley resource numbers are quoted on a dry basis; Competent Person is D Parmenter (MAIG).

(2) Suriname resource numbers are quoted on a dry basis; Competent Person is D L Butty (EuroGeol).

(3) Resource tonnages for MRN washed are quoted with nominal 5 per cent moisture; Competent Person is V J van der Riet (MAusIMM).

(4) Alumina as available alumina for Worsley and MRN; and total alumina for Lelydorp.

(5) MRN – Mineração Rio do Norte.

(6) The Worsley total resource increased by 15 Mt from the previous 2002 estimate; this is the net effect of new drilling, minor changes in cut-off grade and mining depletion during the year. Suriname resource changes are the result of mining depletion. The reduction in MRN crude and washed resource is due to mining depletion and the loss of resource due to environmental restrictions and selective mining.

**Aluminium Customer Sector Group** continued**Ore Reserves**

The table below details the Ore Reserves for the Aluminium Customer Sector Group as at 30 June 2003 and is presented in 100 per cent terms.

| Reserves <sup>(1)(2)(3)(4)(8)</sup><br>Deposit | Proved Ore Reserve   |                   | Probable Ore Reserve |                   | Total Ore Reserve    |                   | BHP Billiton<br>Interest<br>% |
|--|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|-------------------------------|
|  | Tonnes<br>(millions) | Grade<br>%Alumina | Tonnes<br>(millions) | Grade<br>%Alumina | Tonnes<br>(millions) | Grade<br>%Alumina |                               |
| <b>Australia</b> <sup>(5)</sup>                |                      |                   |                      |                   |                      |                   |                               |
| Worsley  | 314                  | 30.7              | 12                   | 30.9              | 326                  | 30.7              | 86                            |
| <b>Suriname</b> <sup>(6)</sup>                 |                      |                   |                      |                   |                      |                   |                               |
| Lelydorp                                       | 9.3                  | 52.5              | –                    | –                 | 9.3                  | 52.5              | 76                            |
| <b>Brazil</b> <sup>(7)</sup>                   |                      |                   |                      |                   |                      |                   |                               |
| MRN Crude                                      | 171                  | –                 | –                    | –                 | 171                  | –                 | 14.8                          |
| MRN Washed                                     | 122                  | 50.5              | –                    | –                 | 122                  | 50.5              | 14.8                          |

(1) Mine dilution and recovery are included in the ore reserve statements for each deposit.

(2) Alumina as available alumina.

(3) Approximate drill hole spacings used to classify the reserves are:

|          | Proved Ore Reserves  | Probable Ore Reserves              |
|----------|--|------------------------------------|
| Worsley  | 100m or less grid spacing  | 200m or less grid spacing          |
| Lelydorp | 61m x 61m  | No reserve quoted in this category |
| MRN      | 200m grid spacing or less with mining and metallurgical characterisation (test pit/ bulk sample) plus a reliable suite of chemical and size distribution data. | No reserve quoted in this category |

(4) No third party audits have been undertaken on the quoted ore reserve.

(5) Worsley reserve tonnages are quoted on a dry basis; Competent Person is D Parmenter (MAIG).

(6) Lelydorp reserve tonnages are quoted on a dry basis; Competent Person is D L Butty (EuroGeol).

(7) Mineração Rio do Norte (MRN) washed reserve tonnages and grades are quoted on a nominal 5 per cent moisture content basis; Competent Person is V J van der Riet (MAusIMM).

(8) Changes in the Ore Reserves from the previous 2002 figures reflect changes discussed in the Mineral Resources table for the Aluminium Customer Sector Group.

## Notes to Financial Statements continued

### 35 Supplementary mineral resource and ore reserves information (unaudited) continued

#### Base Metals Customer Sector Group

##### Mineral Resources <sup>(9)(10)</sup>

Details of the Mineral Resources for the Base Metals Customer Sector Group as at 30 June 2003 and are presented in the table below in 100 per cent terms.

| Commodity Deposit                         | Ore Type            | Measured Resources    |            |                           |       | Indicated Resources   |                       |                           |       |             |       |
|---|---------------------|-----------------------|------------|---------------------------|-------|-----------------------|-----------------------|---------------------------|-------|-------------|-------|
|   |                     | Tonnes (millions dmt) | %TCu       | Grade <sup>(8)</sup> %SCu | g/tAu | Tonnes (millions dmt) | %TCu                  | Grade <sup>(8)</sup> %SCu | g/tAu |             |       |
| <b>Copper</b><br>Escondida <sup>(1)</sup> | Sulphide            | 687                   | 1.43       | –                         | –     | 897                   | 1.01                  | –                         | –     |             |       |
|   | Low-grade float     | 171                   | 0.60       | –                         | –     | 557                   | 0.60                  | –                         | –     |             |       |
|   | Low-grade leach     | 194                   | 0.50       | –                         | –     | 207                   | 0.41                  | –                         | –     |             |       |
|   | Mixed               | 25                    | 1.41       | 0.42                      | –     | 41                    | 0.59                  | 0.21                      | –     |             |       |
|   | Oxide               | 141                   | –          | 0.77                      | –     | 61                    | –                     | 0.48                      | –     |             |       |
| Escondida Norte                           | Sulphide            | 89                    | 1.81       | –                         | –     | 485                   | 1.30                  | –                         | –     |             |       |
|   | Low-grade float     | 9.4                   | 0.62       | –                         | –     | 344                   | 0.58                  | –                         | –     |             |       |
|   | Mixed               | 4.7                   | 0.83       | 0.26                      | –     | 31                    | 0.88                  | 0.31                      | –     |             |       |
|   | Oxide               | 12                    | –          | 0.55                      | –     | 97                    | –                     | 0.86                      | –     |             |       |
| Pinto Valley <sup>(2)</sup>               | Pinto Valley unit   | 697                   | 0.20       | –                         | –     | 16                    | 0.34                  | –                         | –     |             |       |
|   | In situ leach       | 174                   | 0.32       | –                         | –     | 40                    | 0.32                  | –                         | –     |             |       |
| Robinson <sup>(3)</sup>                   | Tripp-Veteran       | 183                   | 0.66       | –                         | 0.25  | 28                    | 0.60                  | –                         | 0.15  |             |       |
|   | Ruth                | 145                   | 0.55       | –                         | 0.15  | 25                    | 0.49                  | –                         | 0.15  |             |       |
| Tintaya <sup>(4)</sup>                    | Sulphide            | 41.4                  | 1.43       | –                         | 0.26  | 51.7                  | 1.51                  | –                         | 0.20  |             |       |
|   | Oxide               | 5.0                   | 1.51       | 1.29                      | –     | 33.7                  | 1.64                  | 1.23                      | –     |             |       |
| Cerro Colorado <sup>(5)</sup>             | Oxide               | 9.3                   | 0.62       | 0.44                      | –     | 177                   | 0.71                  | 0.54                      | –     |             |       |
|   | Sulphide            | 5.2                   | 0.96       | 0.12                      | –     | 117                   | 0.80                  | 0.10                      | –     |             |       |
| Spence                                    | Oxide               | 41                    | 1.34       | 0.99                      | –     | 46                    | 0.93                  | 0.69                      | –     |             |       |
|   | Leachable sulphide  | 113                   | 1.36       | 0.18                      | –     | 168                   | 0.82                  | 0.12                      | –     |             |       |
| Highland Valley                           | Sulphide            | Tonnes (millions dmt) | Grade %TCu | Grade %Mo                 |       | Tonnes (millions dmt) | Grade %TCu            | Grade %Mo                 |       |             |       |
|   |                     | 224                   | 0.42       | 0.007                     |       | 50                    | 0.42                  | 0.006                     |       |             |       |
| <b>Copper Zinc</b>                        | Sulphide            | Tonnes (millions dmt) | %TCu       | Grade %Zn                 | g/tAg | Tonnes %Mo            | (millions dmt)        | %TCu                      | %Zn   | Grade g/tAg | %Mo   |
|   |                     | 26                    | 0.50       | 0.19                      | 4.9   | 0.034                 | 32                    | 0.47                      | 0.27  | 5.9         | 0.030 |
| Selbaie                                   | Sulphide stockpiles | Tonnes (millions dmt) | %Zn        | Grade g/tAg               | %TCu  | g/tAu                 | Tonnes (millions dmt) | %Zn                       | g/tAg | Grade %TCu  | g/tAu |
|   |                     | 2.1                   | 1.12       | 22                        | 0.27  | 0.25                  | –                     | –                         | –     | –           | –     |
| <b>Silver Lead Zinc</b>                   | Sulphide            | Tonnes (millions dmt) | g/tAg      | Grade %Pb                 | %Zn   | Tonnes (millions dmt) | g/tAg                 | Grade %Pb                 | %Zn   |             |       |
|   |                     | 19.0                  | 555        | 12.23                     | 4.95  | 12.0                  | 493                   | 11.58                     | 4.06  |             |       |

(1) The Escondida deposit is a supergene-enriched porphyry copper deposit.

Changes in the Mineral Resource reflect mining depletion. Stockpiled material above respective cut-off grades is included as Measured Resource.

(2) The Pinto Valley Mineral Resource is based on the milling and flotation of copper sulphides from ore-grade rock and acid leaching and SXEW of copper from lower grade sulphide bearing rock.

(3) BHP Copper North America ceased operations at the Robinson Mine site on 24 June 1999.

(4) BHP Billiton holds a 99.9 per cent interest in Tintaya, an open pit copper mine in southern Peru. The remaining interest is held by Peruvian shareholders.

(5) Cerro Colorado is a supergene-enriched porphyry copper deposit.

(6) Antamina Resource is exclusive of Ore Reserves.

(7) The Cannington Ag-Pb-Zn deposit is a Broken Hill Type (BHT) deposit located in the Eastern Succession of the Mt Isa inlier. Results from ongoing underground diamond drilling and geological interpretation have seen the upgrading of Inferred Resource to Indicated and Indicated to Measured.

(8) %TCu – per cent total copper, %SCu – per cent soluble copper.

| Inferred Resources    |       |                           |       |       | Total Resources       |       |                           |       | BHP Billiton Interest % |       |
|-----------------------|-------|---------------------------|-------|-------|-----------------------|-------|---------------------------|-------|-------------------------|-------|
| Tonnes (millions dmt) | %TCu  | Grade <sup>(8)</sup> %SCu | g/tAu |       | Tonnes (millions dmt) | %TCu  | Grade <sup>(8)</sup> %SCu | g/tAu |                         |       |
| 540                   | 0.92  | –                         | –     |       | 2 121                 | 1.12  | –                         | –     |                         | 57.5  |
| 670                   | 0.59  | –                         | –     |       | 1 396                 | 0.59  | –                         | –     |                         | 57.5  |
| 270                   | 0.41  | –                         | –     |       | 673                   | 0.43  | –                         | –     |                         | 57.5  |
| 46                    | 0.70  | 0.20                      | –     |       | 111                   | 0.82  | 0.25                      | –     |                         | 57.5  |
| 48                    | –     | 0.55                      | –     |       | 249                   | –     | 0.65                      | –     |                         | 57.5  |
| 75                    | 0.96  | –                         | –     |       | 649                   | 1.33  | –                         | –     |                         | 57.5  |
| 290                   | 0.57  | –                         | –     |       | 642                   | 0.58  | –                         | –     |                         | 57.5  |
| 7                     | 0.46  | 0.12                      | –     |       | 43                    | 0.81  | 0.27                      | –     |                         | 57.5  |
| 33                    | –     | 0.66                      | –     |       | 142                   | –     | 0.79                      | –     |                         | 57.5  |
| 2                     | 0.25  | –                         | –     |       | 715                   | 0.20  | –                         | –     |                         | 100   |
| –                     | –     | –                         | –     |       | 214                   | 0.32  | –                         | –     |                         | 100   |
| 6                     | 0.49  | –                         | 0.07  |       | 217                   | 0.65  | –                         | 0.23  |                         | 100   |
| 15                    | 0.44  | –                         | 0.09  |       | 185                   | 0.53  | –                         | 0.15  |                         | 100   |
| 24                    | 1.48  | –                         | 0.15  |       | 117                   | 1.47  | –                         | 0.21  |                         | 99.9  |
| 4                     | 1.58  | 1.21                      | –     |       | 43                    | 1.62  | 1.23                      | –     |                         | 99.9  |
| 22                    | 0.65  | 0.46                      | –     |       | 209                   | 0.70  | 0.53                      | –     |                         | 100   |
| 20                    | 0.68  | 0.10                      | –     |       | 142                   | 0.79  | 0.10                      | –     |                         | 100   |
| 1                     | 0.74  | 0.57                      | –     |       | 88                    | 1.12  | 0.83                      | –     |                         | 100   |
| 6                     | 0.65  | 0.11                      | –     |       | 287                   | 1.03  | 0.14                      | –     |                         | 100   |
| Tonnes (millions dmt) | %TCu  | Grade %Mo                 |       |       | Tonnes (millions dmt) | %TCu  | Grade %Mo                 |       |                         |       |
| –                     | –     | –                         |       |       | 274                   | 0.42  | 0.007                     |       |                         | 33.6  |
| Tonnes (millions dmt) | %TCu  | Grade %Zn                 | g/tAg | %Mo   | Tonnes (millions dmt) | %TCu  | Grade %Zn                 | g/tAg | %Mo                     |       |
| 29                    | 0.79  | 0.98                      | 13.0  | 0.016 | 87                    | 0.58  | 0.48                      | 7.9   | 0.026                   | 33.75 |
| Tonnes (millions dmt) | %Zn   | Grade g/tAg               | %TCu  | g/tAu | Tonnes (millions dmt) | %Zn   | Grade g/tAg               | %TCu  | g/tAu                   |       |
| –                     | –     | –                         | –     | –     | 2.1                   | 1.12  | 22                        | 0.27  | 0.25                    | 100   |
| Tonnes (millions dmt) | g/tAg | Grade %Pb                 | %Zn   |       | Tonnes (millions dmt) | g/tAg | Grade %Pb                 | %Zn   |                         |       |
| 9.4                   | 348   | 8.9                       | 3.7   |       | 40.4                  | 488   | 11.27                     | 4.39  |                         | 100   |

<sup>(9)</sup> **Competent Persons – Resources**

Escondida, Escondida Norte: Dr J M Gilligan (MAusIMM)  
Pinto Valley & Robinson: J Gage (MAusIMM)  
Tintaya: R Preece (FAusIMM)  
Cerro Colorado: E Fernandez (MAIG)  
Spence: M Mullins (FAusIMM)  
Highland Valley: R Kintzi (APEGBC)  
Antamina: G Stothart (APEGNB)  
Selbaie: D Adam (CIM/OGQ)  
Cannington: A Edwards (MAusIMM).

<sup>(10)</sup> The Cerro Colorado total Mineral Resource has increased by 129 Mt from that quoted in 2002, this is due to additions and reclassification based on further drilling less resource depletion due to mining. The Tintaya sulphide and oxide Mineral Resources have been re-estimated with the inclusion of further drilling and changes to resource classification methods. Other changes in the Base Metals Customer Sector Group resource base are predominantly due to mining depletion.

# Notes to Financial Statements continued

## 35 Supplementary mineral resource and ore reserves information (unaudited) continued

### Base Metals Customer Sector Group continued

#### Ore Reserves <sup>(1)(2)(3)(10)</sup>

The table below details our copper, zinc, silver, gold, molybdenum and lead reserves in metric tonnes estimated as at 30 June 2003.

| Base Metals Deposit             | Ore type            | Proved Ore Reserve    |                      |       |       | Probable Ore Reserve  |                      |       |       | Total Ore Reserve     |                      |                   |       | BHP Billiton Interest % |       |       |       |
|---------------------------------|---------------------|-----------------------|----------------------|-------|-------|-----------------------|----------------------|-------|-------|-----------------------|----------------------|-------------------|-------|-------------------------|-------|-------|-------|
|                                 |                     | Tonnes (millions dmt) | Grade <sup>(7)</sup> |       |       | Tonnes (millions dmt) | Grade <sup>(7)</sup> |       |       | Tonnes (millions dmt) | Grade <sup>(7)</sup> |                   |       |                         |       |       |       |
|                                 |                     | %TCu                  | %SCu                 | g/tAu | %TCu  | %SCu                  | g/tAu                | %TCu  | %SCu  | g/tAu                 | %TCu                 | %SCu              | g/tAu |                         |       |       |       |
| Copper Escondida <sup>(4)</sup> | Sulphide            | 672                   | 1.46                 | –     | –     | 842                   | 1.02                 | –     | –     | 1 514                 | 1.21                 | –                 | –     | 57.5                    |       |       |       |
|                                 | Low-grade float     | 151                   | 0.60                 | –     | –     | 418                   | 0.60                 | –     | –     | 570                   | 0.60                 | –                 | –     | 57.5                    |       |       |       |
|                                 | Mixed               | –                     | –                    | –     | –     | 51                    | 1.04                 | 0.32  | –     | 51                    | 1.04                 | 0.32              | –     | 57.5                    |       |       |       |
|                                 | Oxide               | 139                   | –                    | 0.79  | –     | 53                    | –                    | 0.51  | –     | 192                   | –                    | 0.71              | –     | 57.5                    |       |       |       |
| Escondida Norte <sup>(5)</sup>  | Sulphide            | 84                    | 1.84                 | –     | –     | 417                   | 1.35                 | –     | –     | 502                   | 1.44                 | –                 | –     | 57.5                    |       |       |       |
|                                 | Low-grade float     | –                     | –                    | –     | –     | 95                    | 0.61                 | –     | –     | 95                    | 0.61                 | –                 | –     | 57.5                    |       |       |       |
|                                 | Oxide               | –                     | –                    | –     | –     | 117                   | –                    | 0.77  | –     | 117                   | –                    | 0.77              | –     | 57.7                    |       |       |       |
| Tintaya <sup>(6)(8)</sup>       | Sulphide            | 31.9                  | 1.30                 | –     | 0.24  | 31.4                  | 1.45                 | –     | 0.18  | 63.3                  | 1.38                 | –                 | 0.21  | 99.9                    |       |       |       |
|                                 | Oxide               | 5.0                   | 1.51                 | 1.29  | –     | 31.6                  | 1.58                 | 1.18  | –     | 36.6                  | 1.57                 | 1.20              | –     | 99.9                    |       |       |       |
| Cerro Colorado                  | Oxide               | 16                    | 0.57                 | 0.40  | –     | 117                   | 0.74                 | 0.59  | –     | 133                   | 0.74                 | 0.58              | –     | 100                     |       |       |       |
|                                 | Sulphide            | 19                    | 1.02                 | 0.12  | –     | 55                    | 0.84                 | 0.11  | –     | 74                    | 0.88                 | 0.11              | –     | 100                     |       |       |       |
| Highland Valley                 | Sulphide            | Tonnes (millions)     | Grade                |       |       | Tonnes (millions)     | Grade                |       |       | Tonnes (millions)     | Grade                |                   |       | 33.6                    |       |       |       |
|                                 |                     |                       | %TCu                 | %Mo   |       | %TCu                  | %Mo                  |       | %TCu  | %Mo                   |                      |                   |       |                         |       |       |       |
|                                 |                     | 224                   | 0.42                 | 0.007 |       | 50                    | 0.42                 | 0.006 |       | 274                   | 0.42                 | 0.007             |       |                         |       |       |       |
| Copper Zinc                     | Sulphide            | Tonnes (millions)     | %TCu                 | %Zn   | g/tAg | %Mo                   | Tonnes (millions)    | %TCu  | %Zn   | g/tAg                 | %Mo                  | Tonnes (millions) | %TCu  | %Zn                     | g/tAg | %Mo   | 33.75 |
|                                 |                     |                       |                      |       |       |                       |                      |       |       |                       |                      |                   |       |                         |       |       |       |
|                                 |                     | 278                   | 1.27                 | 1.02  | 14.2  | 0.030                 | 233                  | 1.16  | 0.93  | 13.1                  | 0.029                | 511               | 1.22  | 0.98                    | 13.7  | 0.030 |       |
| Selbaie                         | Sulphide stockpiles | Tonnes (millions)     | %Zn                  | g/tAg | %TCu  | g/tAu                 | Tonnes (millions)    | %Zn   | g/tAg | %TCu                  | g/tAu                | Tonnes (millions) | %Zn   | g/tAg                   | %TCu  | g/tAu | 100   |
|                                 |                     |                       |                      |       |       |                       |                      |       |       |                       |                      |                   |       |                         |       |       |       |
|                                 |                     | 2.1                   | 1.12                 | 22    | 0.27  | 0.25                  | –                    | –     | –     | –                     | –                    | 2.1               | 1.12  | 22                      | 0.27  | 0.25  |       |
| Silver Lead Zinc                | Sulphide            | Tonnes (millions)     | g/tAg                | %Pb   | %Zn   | Tonnes (millions)     | g/tAg                | %Pb   | %Zn   | Tonnes (millions)     | g/tAg                | %Pb               | %Zn   | 100                     |       |       |       |
|                                 |                     |                       |                      |       |       |                       |                      |       |       |                       |                      |                   |       |                         |       |       |       |
|                                 |                     | 15                    | 492                  | 10.85 | 4.15  | 8.2                   | 462                  | 10.87 | 3.74  | 23.2                  | 482                  | 10.9              | 4.0   |                         |       |       |       |

(1) All reserves quoted are diluted and include mining recovery.

(2) Metallurgical recoveries for the operations are:

| % Metallurgical Recovery  | TCu       | SCu  | Zn      | Pb      | Ag       | Au   | Mo   |
|---------------------------|-----------|------|---------|---------|----------|------|------|
| Escondida Sulphide        | 81–86     |      |         |         |          |      |      |
| Escondida Low-grade float | 81        |      |         |         |          |      |      |
| Escondida Mixed           | 39        |      |         |         |          |      |      |
| Escondida Oxide           |           | 88   |         |         |          |      |      |
| Escondida Norte Sulphide  | 80–87     |      |         |         |          |      |      |
| Escondida Norte Oxide     |           | 85   |         |         |          |      |      |
| Tintaya Sulphide          | 77–90.5   |      |         |         | 59.4     | 66.3 |      |
| Tintaya Oxide             |           | 78.0 |         |         |          |      |      |
| Cerro Colorado            | 82.5      | 82.5 |         |         |          |      |      |
| Highland Valley           | 89        |      |         |         |          |      | 50   |
| Antamina                  | 88.5–95.1 |      | 0–86.4  |         | 65–90    |      | 0–70 |
| Selbaie                   | 79.5      |      | 75.5    |         | 9.9–50.4 | 62.2 |      |
| Cannington                |           |      | Ave. 72 | Ave. 89 | Ave. 89  |      |      |

35 Supplementary mineral resource and ore reserves information (unaudited) continued

**Base Metals Customer Sector Group** continued

**Ore Reserves** continued

(3) Approximate drill hole spacings used to classify the reserves are:

|                  | Proved Ore Reserves  | Probable Ore Reserves  |
|------------------|--|--|
| Escondida        | 65 x 65m to 75 x 75m depending on geological domain and ore type | 80 x 80m to 140 x 140m depending on geological domain and ore type                                   |
| Escondida Norte  | 50 x 50m to 55 x 55m depending on geological domain and ore type | 60 x 60m to 280 x 280m depending on geological domain and ore type                                   |
| Tintaya Sulphide | 18m in Chabuca area; 25m elsewhere                               | 37m in Chabuca area; 50m elsewhere   |
| Cerro Colorado   | 35m grid spacing   | 75m x 100m grid spacing  |
| Highland Valley  | Overall 111.1m spacing   | Overall 124.2m spacing   |
| Antamina         | 3 holes within 55m and closest within 40m                        | Variable between domains, approximately 2 to 3 holes within 55m to 100m and closest within 25 to 55m |
| Selbaie          | All ore reserves now contained in a stockpile                    | All ore reserves are now measured  |
| Cannington       | 12.5m x 15m spacing or less                                      | 25m x 25m spacing  |

- (4) No changes to the block model or the ore types were introduced in this declaration. Change in the Ore Reserves tonnages compared to the previous statement results from the depletion of Ore Reserves through production, the application of a mining recovery factor to the stockpiled resources to generate stockpiled reserves and the reclassification of some probable oxide reserves as mixed reserves or waste. The use of a variable cut-off grade strategy during the production period has also resulted in the reclassification of some sulphide ore into LG Float ore. LG Float ore extracted from the pit is stockpiled in the LG leach stockpile resulting in a reclassification to stockpiled LG leach resource. Measured Resource for Mixed ore has been downgraded to Probable Reserve to reflect uncertainty in some of the modifying factors. Stockpiled material is included in the appropriate ore reserve estimate as Proved Reserve (with the exception of Mixed ore). Economic pit limits were determined using the Whittle 4X software package; Ore Reserves herein quoted are based on the 'Ultimate Pit 42NB', generated using Measured, Indicated and Inferred Resources for Sulphide and Oxide material types only. This practice allows the maximum size of the pit to be used in strategic mine planning activities and reasonably reflects the future mining potential of the deposit, subject to future infill drilling. Reported Proved and Probable Reserves are derived from Measured and Indicated Resources only within the Ultimate Pit, after modifying factors have been applied. The Ultimate Pit obtained by removal of Inferred Resources from the pit optimisation is smaller (Ultimate Pit 42SP), and as a result has a lower reserve base. Proved and Probable Reserves in this smaller pit, including stockpiled ore, are reduced to: Sulphide ore: 1417 Mt at 1.24 per cent TCu, LG Float ore: 453 Mt at 0.60 per cent TCu, Mixed ore: 45 Mt at 1.10 per cent TCu and 0.34 per cent SCu, and Oxide ore: 186 Mt at 0.72 per cent SCu. As there are differences in convention within the industry as to which reserves numbers to publicly report, both are provided to maintain transparency. The Inferred Resources located within the mine plan declared in the previous statement (June 2002), did not include 27 million tonnes at 1.21 per cent TCu, which has been corrected in this declaration. The downgrading of Measured Resource to Probable Reserve for Mixed ore was omitted from the previous statement and has been corrected in this declaration.
- (5) An Ore Reserve has been declared at Escondida Norte for the first time in 2003. The Escondida Norte deposit is a supergene-enriched porphyry copper deposit of Oligocene age in which two major stages of sulphide and one stage of oxide mineralisation contributed to the formation of a giant copper deposit. The principal copper-bearing minerals are chalcocite, chalcopyrite and brochantite/antlerite. The copper mineralisation is a satellite ore body of the main Escondida mineralisation located 5km to the north. The western extension of Escondida Norte is named the Zaldivar deposit, currently mined in an open pit by Cia. Minera Zaldivar Ltda. The final feasibility study of Escondida Norte was approved by BHP Billiton and its partners in June 2003 as part of the Escondida strategy to maintain copper production capacity in future years. Development costs are estimated at US\$400 million, which include pre-mine development, new mining equipment, a primary crusher with an overland conveyor, and maintenance and operating support facilities. Pre-mine activities are programmed to start in September 2003 and copper production from the Escondida Norte deposit is scheduled for the fourth quarter of CY2005. The deposit will be mined using open pit, bulk-mining methods with mineral processing through conventional flotation to produce a high-grade copper concentrate and oxide heap leaching to produce copper cathode. The mine design is based on truck and shovel methods with direct haulage of waste and in-pit crushing of ore, for a total material movement of approximately 450,000 tonnes per day (tpd). Escondida Norte Sulphide ore will be processed at an initial rate of approximately 85 000 tpd, increasing to 100 000 tpd after two years of copper production. Sulphide ore will feed both the existing Los Colorados concentrator and the new Laguna Seca concentrator, blended with Escondida ore.
- (6) Third party reserve audits have been undertaken on Cannington and Tintaya in the past three years.
- (7) %TCu – per cent total copper, %SCu – per cent soluble copper.
- (8) Tintaya Sulphide production was temporarily halted in November 2001 as a reaction to oversupply in the global copper market, and the oxide operation was commissioned during the year. Tintaya Sulphide production is being restarted during the first half of FY2004.
- (9) Test work done on M4 material mined early in the pit life and currently contained in the 4155W stockpile and 4174 Finger 'B' stockpile has indicated that this material is not economically millable. Consequently, this material (approx. 1.7 Mt) has been excluded from the Reserve and Resource estimate. In early June of 2003, an area of Phase 2 and Phase 3 was identified as containing a high percentage of total copper present as oxides and secondary sulphides. This type of material has previously demonstrated poor metallurgy. A preliminary interpretation of the extent of this zone has outlined approximately 6 Mt of previously included Reserve material and 1.7 Mt of Resource material. Test work is ongoing on this material to determine its true economic viability. Consequently, until such time as proven otherwise, this material has been excluded from the Antamina Reserve and Resource estimation numbers.
- (10) **Competent Persons – Reserves**  
 Escondida, Escondida Norte: Dr J M Gilligan (MAusIMM)  
 Tintaya: P Dupree (MAusIMM)  
 Cerro Colorado: R Contreras (MAusIMM)  
 Highland Valley: R Kintzi (APEGBC)  
 Antamina: G Stothart (APEGNB)  
 Selbaie: D Adam (CIM/OGQ)  
 Cannington: K Sommerville (MAusIMM).

## Notes to Financial Statements continued

### 35 Supplementary mineral resource and ore reserves information (unaudited) continued

#### Carbon Steel Materials Customer Sector Group

##### Mineral Resources

The tables below detail iron ore, manganese and metallurgical coal Mineral Resources (in metric tonnes) estimated in 100 per cent terms as at 30 June 2003. All resource figures are total Mineral Resources inclusive of material converted to Ore Reserves.

##### Iron Ore Mineral Resources <sup>(6)</sup>

| Deposit  | Ore Type | Measured Resources |           |          | Indicated Resources |           |          | Inferred Resources |           |          | Total Resources   |           |          | BHP Billiton Interest % |
|--|----------|--------------------|-----------|----------|---------------------|-----------|----------|--------------------|-----------|----------|-------------------|-----------|----------|-------------------------|
|  |          | Tonnes (millions)  | Grade %Fe | Grade %P | Tonnes (millions)   | Grade %Fe | Grade %P | Tonnes (millions)  | Grade %Fe | Grade %P | Tonnes (millions) | Grade %Fe | Grade %P |                         |
| <b>Iron Ore <sup>(1)(2)(3)(4)</sup></b>                |          |                    |           |          |                     |           |          |                    |           |          |                   |           |          |                         |
| Mt Newman JV   | BKM      | 893                | 63.6      | 0.07     | 223                 | 62.4      | 0.08     | 277                | 61.6      | 0.09     | 1 394             | 63.0      | 0.08     | 85                      |
|  | MM       | 160                | 61.8      | 0.07     | 82                  | 60.0      | 0.06     | 619                | 59.4      | 0.07     | 861               | 59.9      | 0.07     | 85                      |
| Jimblebar  | BKM      | 245                | 61.6      | 0.07     | 117                 | 61.7      | 0.08     | 755                | 61.5      | 0.13     | 1 117             | 61.5      | 0.11     | 100                     |
|  | MM       | –                  | –         | –        | –                   | –         | –        | 17                 | 60.2      | 0.10     | 17                | 60.2      | 0.10     | 100                     |
| Mt Goldsworthy JV Northern Areas Area C <sup>(5)</sup> | NIM      | 48                 | 61.2      | 0.06     | 45                  | 60.8      | 0.06     | –                  | –         | –        | 93                | 61.0      | 0.06     | 85                      |
|  | BKM      | 22                 | 58.5      | 0.07     | 19                  | 58.5      | 0.07     | 71                 | 62.2      | 0.12     | 111               | 60.9      | 0.10     | 85                      |
|  | MM       | 392                | 62.1      | 0.06     | 213                 | 62.2      | 0.06     | 373                | 61.1      | 0.06     | 978               | 61.7      | 0.06     | 85                      |
| BHP Billiton/Renison JV                                | BKM      | –                  | –         | –        | 82                  | 59.6      | 0.14     | 85                 | 61.2      | 0.16     | 167               | 60.5      | 0.15     | 89                      |
|  | MM       | –                  | –         | –        | 51                  | 60.4      | 0.06     | 158                | 61.8      | 0.06     | 209               | 61.5      | 0.06     | 89                      |
| Yandi JV   | BKM      | –                  | –         | –        | –                   | –         | –        | 195                | 59.0      | 0.15     | 195               | 59.0      | 0.15     | 85                      |
|  | CID      | 834                | 57.9      | 0.04     | 348                 | 57.7      | 0.04     | 239                | 57.3      | 0.04     | 1 421             | 57.8      | 0.04     | 85                      |
| Samarco JV   |          | 450                | 46.9      | 0.05     | 660                 | 45.0      | 0.05     | 2 659              | 42.0      | 0.04     | 3 769             | 43.0      | 0.05     | 50                      |

(1) The BHP Billiton Iron Ore Western Australia resources include those that support current mining operations and market grades, and also include resources to support future undefined developments. All tonnages are in wet metric tonnes, except for Samarco, which is in dry metric tonnes.

(2) Resources are divided into joint ventures, and material types that reflect the various products produced. The bedded ore material types are classified by the host Archaean or Proterozoic banded iron-formations. These are BKM – Brockman, MM – Marra Mamba and NIM – Nimingarra. The CID – Channel Iron Deposit or pisolite – are Cainozoic fluvial sediments.

(3) The resource grades listed refer to in situ, iron (Fe) and phosphorus (P).

(4) The total MM resources for the Newman JV have decreased by 67 Mt from the previous 2002 reported resource due to a revision in the Fe cut-off grade used to define the resource. Other iron ore resource changes are predominantly related to production depletion.

(5) Whilst 85 per cent is shown as the 'BHP Billiton Interest' for Area C, POSCO (a Korean steelmaker) has a 20 per cent legal interest in the C deposit of Area C. In substance, the Group retains virtually all of this interest and this disclosure and the financial statements are prepared on this basis.

##### (6) Competent Persons

Newman JV: M Kneeshaw (FAusIMM) and C Handley (MAusIMM)

Jimblebar: M Kneeshaw (FAusIMM) and C Handley (MAusIMM)

Mt Goldsworthy JV, Northern Areas: D Podmore (MAusIMM)

Mt Goldsworthy JV Area C: M Kneeshaw (FAusIMM)

BHP Billiton/Renison JV: M Kneeshaw (FAusIMM)

Yandi JV: C Handley (MAusIMM) and M Kneeshaw (FAusIMM)

Samarco JV: J Tizon (MAusIMM).

**Carbon Steel Materials Customer Sector Group** continued**Manganese Mineral Resources**

| Commodity Deposit                  | Measured Resources    |           |           | Indicated Resources   |           |           | Inferred Resources    |           |           | Total Resources       |           |           | BHP Billiton Interest % |
|------------------------------------|-----------------------|-----------|-----------|-----------------------|-----------|-----------|-----------------------|-----------|-----------|-----------------------|-----------|-----------|-------------------------|
|                                    | Tonnes (millions dmt) | Grade %Mn | Grade %Fe | Tonnes (millions dmt) | Grade %Mn | Grade %Fe | Tonnes (millions dmt) | Grade %Mn | Grade %Fe | Tonnes (millions dmt) | Grade %Mn | Grade %Fe |                         |
| <b>Manganese</b> <sup>(1)(2)</sup> |                       |           |           |                       |           |           |                       |           |           |                       |           |           |                         |
| Wessels                            | 6.9                   | 48.0      | –         | 30.0                  | 48.2      | –         | –                     | –         | –         | 36.9                  | 48.2      | –         | 60                      |
| Mamatwan                           | 20.2                  | 38.7      | 4.8       | 6.5                   | 38.0      | 4.7       | 2.7                   | 37.4      | 4.7       | 29.4                  | 38.4      | 4.7       | 60                      |
| GEMCO <sup>(3)</sup>               | 54.0                  | 48.1      | –         | 58.1                  | 47.6      | –         | 92.5                  | 47.0      | –         | 205                   | 47.4      | –         | 60                      |

**(1) Competent Persons**

Wessels: E P Ferreira (SACNASP)

Mamatwan: O van Antwerpen (SACNASP)

GEMCO: E Swindell (SACNASP).

(2) The total Mamatwan manganese resource has decreased by 27.1 Mt from the previous 2002 resource base due to additional exploration drilling and a re-estimate of the resource at a higher Mn cut-off. Reduction in the Wessels and GEMCO total resources are primarily due to production depletion.

(3) GEMCO Mn grades are reported as washed sample grades and as such reflect a mineral product grade.

## Notes to Financial Statements continued

### 35 Supplementary mineral resource and ore reserves information (unaudited) continued

#### Carbon Steel Materials Customer Sector Group continued

##### Metallurgical Coal Resources <sup>(1)(7)(8)</sup>

| Ownership   | Deposit            | Mining Method <sup>(2)</sup> | Coal <sup>(3)</sup> Type | Tonnes (millions) <sup>(5)</sup> | Measured <sup>(4)</sup> Calorific Value <sup>(6)</sup> (Kcal/kg) | Volatile Matter <sup>(6)</sup> % |
|---|--------------------|------------------------------|--------------------------|----------------------------------|--|----------------------------------|
| <b>Queensland Coal Resources at operating mines</b>       |                    |                              |                          |                                  |  |                                  |
| CQCA JV   | Goonyella          | OC/UG                        | Met                      | 599                              | –  | 23.7                             |
|   | Peak Downs         | OC/UG                        | Met                      | 905                              | –  | 20.4                             |
|   | Saraji             | OC/UG                        | Met                      | 360                              | –  | 18.5                             |
|   | Norwich Park       | OC/UG                        | Met                      | 255                              | –  | 17.6                             |
|   | Blackwater         | OC/UG                        | Met/Th                   | 227                              | 7 515  | 25.8                             |
|   | South Blackwater   | OC/UG                        | Met/Th                   | 97                               | 7 170  | –                                |
| Sub-total   |                    |                              |                          | 2 443                            |  |                                  |
| Gregory JV  | Gregory Crinum     | OC/UG                        | Met/Th                   | 87                               | –  | 33.6                             |
| BHP Mitsui  | Riverside          | OC                           | Met                      | 11                               | –  | 22.8                             |
|   | Sth Walker Ck      | OC                           | Met/Th                   | 100                              | 7 725  | 13.0                             |
| Sub-total   |                    |                              |                          | 111                              |  |                                  |
| <b>Total Queensland Coal Resources at operating mines</b> |                    |                              |                          | 2 641                            |  |                                  |
| <b>Queensland Coal Undeveloped Resources</b>              |                    |                              |                          |                                  |  |                                  |
| CQCA JV   | Red Hill           | UG                           | Met                      | 90                               | –  | 20.9                             |
|   | Daunia             | OC                           | Met/Th                   | 75                               | –  | 20.5                             |
|   | Peak Downs East    | UG                           | Met                      | –                                | –  | –                                |
| Sub-total   |                    |                              |                          | 165                              |  |                                  |
| Gregory JV  | Liskeard           | OC                           | Met                      | 5.6                              | –  | 34.6                             |
| BHP Mitsui  | Wards Well         | UG                           | Met                      | 331                              | –  | –                                |
|   | Lancewood          | UG                           | Met                      | –                                | –  | –                                |
|   | Bee Creek          | OC                           | Th                       | –                                | –  | –                                |
|   | Nebo West          | OC                           | Th                       | –                                | –  | –                                |
|   | Poitrel/Winchester | OC/UG                        | Met/Th                   | 95                               | –  | 22.5                             |
| Sub-total   |                    |                              |                          | 426                              |  |                                  |
| <b>Total Undeveloped Queensland Resources</b>             |                    |                              |                          | 597                              |  |                                  |
| <b>Total Queensland Coal Resources</b>                    |                    |                              |                          | 3 238                            |  |                                  |
| <b>Illawarra Coal Resources at operating mines</b>        |                    |                              |                          |                                  |  |                                  |
|   | Appin              | UG                           | Met/Th                   | 163                              | –  | –                                |
|   | West Cliff         | UG                           | Met/Th                   | 194                              | –  | –                                |
|   | Cordeaux           | UG                           | Met/Th                   | 124                              | –  | –                                |
|   | Elouera            | UG                           | Met/Th                   | 63                               | –  | –                                |
|   | Dendrobium         | UG                           | Met/Th                   | 209                              | –  | –                                |
| Sub-total   |                    |                              |                          | 753                              |  |                                  |
| <b>Illawarra Coal Undeveloped Resources</b>               | A248 & 442         | UG                           | Met/Th                   | 128                              | –  | –                                |
| <b>Total Illawarra Resources</b>                          |                    |                              |                          | 881                              |  |                                  |

(1) Coal resources inclusive of coal reserves.

(2) OC = open-cut, UG = underground.

(3) Met = metallurgical coal, Th = thermal coal.

(4) Maximum borehole spacings for confidence levels are: Measured 1000 m, Indicated 2000 m, Inferred 4000 m.

(5) All tonnages quoted are at in situ moisture content.

(6) Coal quality quoted is potential product quality on air-dried basis.

(7) **Competent Persons** Queensland Coal Resources: D Dunn (MAusIMM), Illawarra Coal Resources: B Clark (MAusIMM).

| Tonnes (millions) <sup>(5)</sup> | Indicated <sup>(4)</sup><br>Calorific Value <sup>(6)</sup><br>(Kcal/kg) | Volatile Matter <sup>(6)</sup><br>% | Tonnes (millions) <sup>(5)</sup> | Inferred <sup>(4)</sup><br>Calorific Value <sup>(6)</sup><br>(Kcal/kg) | Volatile Matter <sup>(6)</sup><br>% | Total Tonnes (millions) <sup>(5)</sup> | BHP Billiton Interest % |
|----------------------------------|---|-------------------------------------|----------------------------------|--|-------------------------------------|--|-------------------------|
| 832                              | –   | 22.1                                | 144                              | –  | 22.1                                | 1 575                                  | 50                      |
| 617                              | –   | 20.5                                | 182                              | –  | 21.1                                | 1 704                                  | 50                      |
| 288                              | –   | 17.9                                | 72                               | –  | 18.1                                | 720                                    | 50                      |
| 168                              | –   | 17.4                                | 143                              | –  | 17.4                                | 566                                    | 50                      |
| 147                              | 7 510   | 25.6                                | 318                              | 7 460  | 25.2                                | 692                                    | 50                      |
| 434                              | 7 200   | –                                   | 453                              | 7 050  | –                                   | 984                                    | 50                      |
| 2 486                            |   |                                     | 1 312                            |  |                                     | 6 241                                  |                         |
| 72                               |   | 33.2                                | 4                                |  | 33                                  | 163                                    | 50                      |
| 2                                | –   | 24.2                                | 1.5                              | –  | 25.0                                | 15                                     | 80                      |
| 198                              | 7 650   | 15                                  | 79                               | 7 710  | 13.0                                | 377                                    | 80                      |
| 200                              |   |                                     | 81                               |  |                                     | 392                                    |                         |
| 2 758                            |   |                                     | 1 397                            |  |                                     | 6 796                                  |                         |
| 406                              | –   | 19.6                                | 306                              | –  | 18                                  | 802                                    | 50                      |
| 24                               | –   | 20.3                                | –                                | –  | –                                   | 99                                     | 50                      |
| 668                              | –   | 17.5                                | 104                              | –  | 18.4                                | 772                                    | 50                      |
| 1 098                            |   |                                     | 410                              |  |                                     | 1 673                                  |                         |
| –                                | –   | –                                   | –                                | –  | –                                   | 5.6                                    | 50                      |
| 289                              | –   | –                                   | –                                | –  | –                                   | 620                                    | 80                      |
| 112                              | –   | 20.6                                | –                                | –  | –                                   | 112                                    | 80                      |
| 55                               | –   | 14.4                                | 5                                | –  | 13                                  | 60                                     | 80                      |
| 178                              | 6 930   | 7.5                                 | –                                | –  | –                                   | 178                                    | 80                      |
| 41                               | –   | 23.6                                | 8                                | –  | 24.5                                | 144                                    | 80                      |
| 675                              |   |                                     | 13                               |  |                                     | 1 114                                  |                         |
| 1 773                            |   |                                     | 423                              |  |                                     | 2 793                                  |                         |
| 4 531                            |   |                                     | 1 820                            |  |                                     | 9 588                                  |                         |
| 195                              | –   | –                                   | 38                               | –  | –                                   | 396                                    | 100                     |
| 70                               | –   | –                                   | 11                               | –  | –                                   | 275                                    | 100                     |
| 87                               | –   | –                                   | 4                                | –  | –                                   | 215                                    | 100                     |
| 41                               | –   | –                                   | 1                                | –  | –                                   | 105                                    | 100                     |
| 195                              | –   | –                                   | 78                               | –  | –                                   | 482                                    | 100                     |
| 588                              |   |                                     | 132                              |  |                                     | 1 473                                  |                         |
| 231                              | –   | –                                   | 72                               | –  | –                                   | 431                                    | 100                     |
| 819                              |   |                                     | 204                              |  |                                     | 1 904                                  |                         |

<sup>(8)</sup> The CQCA JV total Coal Resources has decreased by 12 per cent from the previous 2002 base due to depletion, remodelling, reclassification and a change in the minimum seam thickness for inclusion of underground resource from 1.5m to 2.0m. The Gregory JV total Coal Resource base has decreased by 36 per cent from the previous 2002 base due to the exclusion of structurally complex coal seam areas. The BHP Mitsui JV total Coal Resource base has decreased by 19 per cent

due to changes as noted above for minimum underground mineable thickness. At Illawarra the Appin and West Cliff colliery boundaries were redefined and the mine plans revised to include the transfer of reserves from Tower mine which has closed and its Coal Resource transferred to Appin. Cordeaux mine has also been closed and part of its Coal Resources transferred to Dendrobium.

## Notes to Financial Statements continued

### 35 Supplementary mineral resource and ore reserves information (unaudited) continued

#### Carbon Steel Materials Customer Sector Group continued

##### Ore Reserves

The tables below detail our iron ore, manganese and metallurgical coal Reserves (in metric tonnes) estimated as at 30 June 2003 in 100 per cent terms.

##### Iron Ore Reserves

| Deposit   | Ore Type <sup>(7)</sup> | Proved Ore Reserve <sup>(6)</sup> |           |          | Probable Ore Reserve <sup>(6)</sup> |           |          | Total Ore Reserve |           |          | BHP Billiton Interest % |
|---|-------------------------|-----------------------------------|-----------|----------|-------------------------------------|-----------|----------|-------------------|-----------|----------|-------------------------|
|   |                         | Tonnes (millions)                 | Grade %Fe | Grade %P | Tonnes (millions)                   | Grade %Fe | Grade %P | Tonnes (millions) | Grade %Fe | Grade %P |                         |
| Iron Ore <sup>(1)(2)(3)(4)(5)(8)(9)</sup><br>Mt Newman JV     | BKM                     | 802                               | 62.9      | 0.07     | 148                                 | 61.9      | 0.07     | 950               | 62.7      | 0.07     | 85                      |
|   | MM                      | 57                                | 62.1      | 0.07     | 18                                  | 61.2      | 0.05     | 76                | 61.9      | 0.07     | 85                      |
| Jimblebar   | BKM                     | 175                               | 62.0      | 0.07     | 72                                  | 61.5      | 0.08     | 247               | 61.8      | 0.07     | 100                     |
| Mt Goldsworthy JV<br>Northern Areas<br>Area C <sup>(10)</sup> | NIM                     | 17                                | 63.0      | 0.05     | 4                                   | 60.7      | 0.04     | 21                | 62.6      | 0.05     | 85                      |
|   | MM                      | 184                               | 62.7      | 0.06     | 19                                  | 62.8      | 0.06     | 204               | 62.7      | 0.06     | 85                      |
| Yandi JV  | CID                     | 485                               | 58.3      | 0.04     | 156                                 | 58.1      | 0.04     | 641               | 58.3      | 0.04     | 85                      |
| Samarco   |                         | 275                               | 47.2      | 0.04     | 179                                 | 45.7      | 0.04     | 454               | 46.6      | 0.04     | 50                      |

(1) The Reserves listed for each joint venture include a combination of High Grade (direct crusher feed) and Low Grade (usually requiring beneficiation). All tonnages are in wet metric tonnes, except for Samarco, which is in dry metric tonnes.

(2) The Reserve grades listed refer to head grades for iron (Fe) and phosphorus (P). Iron Ore is marketed as Lump (direct blast furnace feed) and Fines (sinter plant feed). Samarco is marketed predominantly as direct reduction and blast furnace pellets.

(3) Mining dilution and mining recovery (in general around 95 per cent) has been taken into account in the estimation of reserves for all Western Australian Iron Ore operations. For Samarco the mine recovery is 96.5 per cent (not included in the reserve estimate) of the stated diluted reserve.

(4) Metallurgical recovery is 100 per cent for all of the West Australian Iron Ores except for the low-grade part of the Mt Newman JV (350 million tonnes) where the beneficiation plant recovery is 65 per cent. For both Mt Newman JV and Jimblebar the recovery of screened low-grade lump is 70 per cent and 55 per cent, respectively. For Samarco the beneficiation plant recovery is 57 to 59 per cent.

(5) The following third party audits have been undertaken: Mt Newman JV Long-Term Mine Plan Audit including the reserve base, MRDI, 1997; Jimblebar Mine Planning Review, MineNet Consulting Mining Engineers, 2003; and Mt Goldsworthy JV Northern Areas, Long-Term Mine Plan Audit, MRDI, 1998 and Mine Planning Review, Mine Operations, MineNet Consulting Mining Engineers, 2001.

(6) Drill spacings used to classify Proved and Probable Reserves for the West Australian Iron Ore deposits are between 100m by 50m and 200m by 100m; for Samarco the drill spacings used are 50m by 50m and 150m by 100m for Proved and Probable Reserves, respectively.

(7) Ore types are BKM – Brockman, MM – Marra Mamba, NIM – Nimingarra, and CID – Channel Iron Deposit.

##### (8) Competent Persons

Mt Newman, Jimblebar, Mt Goldsworthy JV Area C and Yandi: P Schultz (MAusIMM)

Mt Goldsworthy JV Northern Areas: R Richardson (MAusIMM)

Samarco: J Tizon (MAusIMM).

(9) The iron ore reserves for the Mt Newman JV, Whaleback pit have decreased by 163 Mt from the previous 2002 reserve due to mining depletion and a review of drill hole spacing that resulted in the reclassification of some Indicated Resource to Inferred Resource. The Inferred Resource is not transferable to reserve. The changes to the reserve base for Yandi JV and Samarco are primarily due to mining depletion.

(10) Whilst 85 per cent is shown as the 'BHP Billiton Interest' for Area C, POSCO (a Korean steelmaker) has a 20 per cent legal interest in the C deposit of Area C. In substance, the Group retains virtually all of this interest and this disclosure and the financial statements are prepared on this basis.

**Carbon Steel Materials Customer Sector Group** continued**Manganese Ore Reserves**

| Deposit <sup>(1)(2)(3)(4)(5)(6)</sup> | Ore Type | Proved Ore Reserve    |       |        | Probable Ore Reserve  |       |        | Total Ore Reserve     |       |        | BHP Billiton Interest |
|---------------------------------------|----------|-----------------------|-------|--------|-----------------------|-------|--------|-----------------------|-------|--------|-----------------------|
|                                       |          | Tonnes (millions dmt) | Grade |        | Tonnes (millions dmt) | Grade |        | Tonnes (millions dmt) | Grade |        |                       |
|                                       |          |                       | %Mn   | %Fe    |                       | %Mn   | %Fe    |                       | %Mn   | %Fe    | %                     |
| <b>Manganese South Africa</b>         |          |                       |       |        |                       |       |        |                       |       |        |                       |
| Wessels (UG)                          |          | 3.1                   | 48.0  | –      | 13.2                  | 48.2  | –      | 16.3                  | 48.2  | –      | 60                    |
| Mamatwan (OC) <sup>(7)</sup>          |          | 18.6                  | 37.9  | 4.6    | 6.0                   | 38.0  | 4.7    | 24.6                  | 37.9  | 4.6    | 60                    |
|                                       |          |                       |       |        |                       |       |        |                       |       |        |                       |
|                                       |          | Tonnes (millions dmt) | Grade |        | Tonnes (millions dmt) | Grade |        | Tonnes (millions dmt) | Grade |        |                       |
|                                       |          |                       | %Mn   | %Yield |                       | %Mn   | %Yield |                       | %Mn   | %Yield |                       |
| <b>Australia</b>                      |          |                       |       |        |                       |       |        |                       |       |        |                       |
| GEMCO (OC)                            | ROM      | 42.5                  | 48.0  | 44     | 46.3                  | 47.6  | 41     | 88.7                  | 47.8  | 42     | 60                    |

(1) Tonnages are on a dry basis. Mining dilution and recovery is included in the reserve estimate.

(2) Mining method: OC = open-cut, UG = underground.

(3) No third party reserve audits have been undertaken in the last three years.

(4) Metallurgical recovery for Wessels, Mamatwan and GEMCO will vary with required market specification.

(5) For the South African manganese deposits underground sampling and drill spacings of +/- 230m are used for Proved and Probable Reserves respectively at Wessels, while drill spacings of between 40m and 80m are used to classify Proved and Probable Reserves at Mamatwan. For GEMCO drill spacings of 60m by 120m and 120m by 120m are used for Proved and Probable Reserves, respectively.

(6) **Competent Persons**

Wessels: E P Ferreira (SACNASP)

Mamatwan: O van Antwerpen (SACNASP)

GEMCO: E Swindell (SACNASP)

(7) The Mamatwan reserve has decreased by 12.65 Mt from the 2002 base; this is due to changes in the resource base (see note 2, Manganese Mineral Resources).

# Notes to Financial Statements continued

## 35 Supplementary mineral resource and ore reserves information (unaudited) continued

### Carbon Steel Materials Customer Sector Group continued

#### Metallurgical Coal Reserves <sup>(7)</sup>

|  | Mining <sup>(1)</sup><br>Method | Reserve <sup>(2)</sup><br>Tonnes<br>(millions) | Marketable <sup>(2)</sup> |                                 |                         | BHP<br>Billiton<br>Interest<br>% |
|--|---------------------------------|--|---------------------------|---------------------------------|-------------------------|----------------------------------|
|  |                                 |  | Tonnes<br>(millions)      | Calorific<br>Value<br>(Kcal/kg) | Volatile<br>Matter<br>% |                                  |
| <b>Metallurgical Coal Reserves <sup>(3)(4)(5)(6)(9)</sup></b>    |                                 |  |                           |                                 |                         |                                  |
| <b>Queensland Reserves at operating mines</b>                    |                                 |  |                           |                                 |                         |                                  |
| CQCA JV  | Goonyella                       | OC   | 801                       | 558                             | 23.6                    | 50                               |
|  | Peak Downs                      | OC   | 996                       | 563                             | 20.4                    | 50                               |
|  | Saraji                          | OC   | 585                       | 337                             | 18.4                    | 50                               |
|  | Norwich Park                    | OC   | 107                       | 76                              | 16.9                    | 50                               |
|  | Blackwater                      | OC   | 349                       | 290                             | 25.5                    | 50                               |
|  | South Blackwater                | OC   | 66                        | 66                              | 29.1                    | 50                               |
| Gregory JV   | Gregory                         | OC   | 17                        | 14                              | 33.7                    | 50                               |
|  | Crinum                          | UG   | 55                        | 46                              | 31.4                    | 50                               |
| BHP Mitsui   | Riverside                       | OC   | 6.7                       | 4.7                             | 23.2                    | 80                               |
|  | South Walker Ck                 | OC   | 134                       | 96                              | 13.1                    | 80                               |
| <b>Total Reserves at Queensland operating mines</b>              |                                 |  | <b>3 117</b>              | <b>2 051</b>                    |                         |                                  |
| <b>Queensland Undeveloped Coal Reserves</b>                      |                                 |  |                           |                                 |                         |                                  |
| CQCA JV  | Daunia                          | OC   | 73                        | 64                              | 20.2                    | 50                               |
| BHP Mitsui   | Poitrel/Winchester              | OC   | 79                        | 62                              | 22.8                    | 80                               |
|  | Nebo West                       | OC   | 22                        | 16                              | 7                       | 80                               |
| <b>Total Queensland Undeveloped Coal Reserves</b>                |                                 |  | <b>174</b>                | <b>142</b>                      |                         |                                  |
| <b>Total Queensland Coal Reserves</b>                            |                                 |  | <b>3 291</b>              | <b>2 193</b>                    |                         |                                  |
| <b>Illawarra Coal Reserves at operating mines <sup>(8)</sup></b> |                                 |  |                           |                                 |                         |                                  |
|  | Appin                           | UG   | 84                        | 78                              | 8 122                   | 100                              |
|  | West Cliff                      | UG   | 79                        | 72                              | 8 239                   | 100                              |
|  | Elouera                         | UG   | 5                         | 4                               | 8 261                   | 100                              |
|  | Dendrobium                      | UG   | 92                        | 63                              | 8 267                   | 100                              |
| <b>Total Illawarra Coal Reserves</b>                             |                                 |  | <b>260</b>                | <b>217</b>                      |                         |                                  |

(1) OC = open-cut, UG = underground.

(2) Coal Reserve (metric tonnes) is the sum of Proved and Probable Coal Reserve estimates, which include allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable Reserve (metric tonnes) are the tonnages of coal available, at specified moisture and air-dried quality, for sale after beneficiation of the Coal Reserve. Note that where the coal is not beneficiated the Coal Reserve and Marketable Reserve are the same.

(3) Coal wash plant recovery:

| Queensland Coal |     |                             |     |
|-----------------|-----|-----------------------------|-----|
| Goonyella       | 70% | Blackwater/South Blackwater | 83% |
| Peak Downs      | 56% | Gregory/Crinum              | 84% |
| Saraji          | 58% | Riverside                   | 70% |
| Norwich Park    | 71% | South Walker                | 72% |
| Illawarra Coal  |     |                             |     |
| Appin           | 89% | Elouera                     | 74% |
| West Cliff      | 87% | Dendrobium                  | 69% |

(4) CQCA's Goonyella, Peak Downs, Saraji, Norwich Park, Blackwater mines, Gregory JV mines Gregory and Crinum mines, and BHP Mitsui Coal P/L South Walker and

Riverside mines passed audit by Runge P/L in June 2001. No third party audits have been undertaken on the Illawarra reserves in the past three years.

(5) Reserves are quoted on air-dried qualities, as this is the basis they are sold on the international market.

(6) A drill spacing of 1000m is used to classify Proved Reserves and 1000m to 2000m to classify Probable Reserves.

(7) Competent Person for Queensland Coal Reserves is B Cox (MAusIMM), and for Illawarra Coal Reserves is B Clark (MAusIMM).

(8) Cordeaux has been closed and its remaining Coal Resources are now deemed as a long-term Coal Resource for Dendrobium. Tower Colliery was closed at the end of CY2002 and the remaining Coal Reserves allocated to Appin.

(9) The Queensland operating mines recoverable and marketable Coal Reserves have increased by 37 per cent and 29 per cent respectively compared to the previous 2002 base. These increases are due to new price assumptions, pit redesigns and the replacement of South Blackwater reserves with reserves from the Kennedy area; the increases have been partially offset by depletion due to production mining. Illawarra operating mines recoverable and marketable Coal Reserves have decreased by 24 per cent and 17 per cent respectively compared to the previous 2002 base. These decreases are primarily due to the closure of the Cordeaux and Tower collieries and depletion from mine production.

**Diamonds and Specialty Products Customer Sector Group****Mineral Resources**

The table below details the Mineral Resources for the Diamonds and Specialty Products Customer Sector Group as at 30 June 2003 in 100 per cent terms.

| Deposit                                    | Measured Resources    |                    | Indicated Resources   |                    | Inferred Resources    |                    | Total Resources       |                    | BHP Billiton Interest % |
|--|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|-----------------------|--------------------|-------------------------|
|  | Tonnes (millions dmt) | Grade Carats/tonne |                         |
| <b>EKATI Diamond Mine</b>                  |                       |                    |                       |                    |                       |                    |                       |                    |                         |
| <b>Diamond Resources</b> <sup>(1)(2)</sup> |                       |                    |                       |                    |                       |                    |                       |                    |                         |
| EKATI Core Zone                            | 34.5                  | 1.2                | 36.3                  | 0.9                | 18                    | 1.0                | 88.5                  | 1.0                | 80.0                    |
| EKATI Buffer Zone                          | 1.2                   | 0.8                | 23.0                  | 2.0                | 15                    | 2.1                | 39.4                  | 2.1                | 58.8                    |

(1) Resources presented are total resources inclusive of the resources converted to Ore Reserves and those not yet converted to Ore Reserves; they are reported using a 1.0mm size cut-off and the Competent Person responsible is J Carlson (MAusIMM, NAPEGG).

(2) Diamond resources have been increased with additional drilling and remodelling; with a net gain, allowing for mining depletion, of 14 Mt.

**Ore Reserves**

The table below details the Ore Reserves for the Diamonds and Specialty Products Customer Sector Group as at 30 June 2003 (unless otherwise stated) in 100 per cent terms.

| Deposit                                    | Proved Ore Reserve    |  | Probable Ore Reserve  |  | Total Ore Reserves    |  | Recoverable Product <sup>(1)</sup> Carats (millions) | BHP Billiton Interest % |
|--|-----------------------|--|-----------------------|--|-----------------------|--|--|-------------------------|
|  | Tonnes (millions dmt) | Grade Carats/tonne (>2.0mm size)       | Tonnes (millions dmt) | Grade Carats/tonne (>2.0mm size)       | Tonnes (millions dmt) | Grade Carats/tonne (>2.0mm size)       |  |                         |
| <b>EKATI Diamond Mine</b>                  |                       |  |                       |  |                       |  |  |                         |
| <b>Diamond Ore Reserves</b>                |                       |  |                       |  |                       |  |  |                         |
| EKATI Core Zone <sup>(2)(3)(4)(5)(6)</sup> | 22.1                  | 0.9                                    | 25.6                  | 0.7                                    | 47.7                  | 0.8                                    | 36.6   | 80                      |
|  |                       | TiO <sub>2</sub> slag (million tonnes) |                       | TiO <sub>2</sub> slag (million tonnes) |                       | TiO <sub>2</sub> slag (million tonnes) |  |                         |
| <b>Titanium</b> <sup>(7)(8)</sup>          |                       |  |                       |  |                       |  |  |                         |
| <b>Ore Reserves</b>                        |                       |  |                       |  |                       |  |  |                         |
| Richards Bay Minerals                      |                       | 9.3                                    |                       | 16.2                                   |                       | 25.5                                   |  | 50                      |

(1) These figures are expressed in terms of the recoverable quantity of marketable product.

(2) Search radii of 30m and 60m are used to classify Proven and Probable Reserves, respectively.

(3) Third party reserve audits have not been conducted on our reserves for purposes of this Annual Report.

(4) Diamond prices used for pit optimisations and Ore Reserves reflect current marketing conditions.

(5) The Ore Reserves have incorporated a plant conversion from 1.5mm to 2.0mm square mesh screen stone size cut-off; this has reduced the Ore Reserves by 8.3M carats. The overall reduction in total Ore Reserves due to cut-off changes, additional drilled reserves and production depletion of 10.5 Mt.

(6) The Competent Persons responsible are P Pecek (MAusIMM) and W Boggis (MAusIMM).

(7) The Competent Person responsible is J Giroux (CIM/OEQ).

(8) The Titanium Ore Reserves are as at 31 December 2002.

## Notes to Financial Statements continued

### 35 Supplementary mineral resource and ore reserves information (unaudited) continued

#### Energy Coal Customer Sector Group

##### Energy Coal Resources <sup>(3)(4)(5)</sup>

The table below details our Energy Coal Resources (in metric tonnes) estimated as at 30 June 2003 in 100 per cent terms.

| Ownership                  | Deposit               | Potential Mining Method <sup>(1)</sup> | Coal Type <sup>(2)</sup> | Measured Tonnes (millions) | Indicated Tonnes (millions) | Inferred Tonnes (millions) | Total Tonnes (millions) | BHP Billiton Interest % |     |
|----------------------------|-----------------------|--|--------------------------|----------------------------|-----------------------------|----------------------------|-------------------------|-------------------------|-----|
| <b>New Mexico</b>          |                       |  |                          |                            |                             |                            |                         |                         |     |
| Operating mines            | San Juan              | OC & UG                                | Th                       | 241                        | 16                          | –                          | 257                     | 100                     |     |
|                            | La Plata              | OC                                     | Th                       | 51                         | –                           | –                          | 51                      | 100                     |     |
|                            | Navajo                | OC                                     | Th                       | 250                        | –                           | –                          | 250                     | 100                     |     |
| <b>South Africa</b>        |                       |  |                          |                            |                             |                            |                         |                         |     |
| Operating mines            | Douglas               | OC & UG                                | Th                       | 310                        | –                           | –                          | 310                     | 84.                     |     |
|                            | Khutala               | OC & UG                                | Th                       | 992                        | –                           | –                          | 992                     | 100                     |     |
|                            | Koornfontein          | UG                                     | Th                       | 48                         | –                           | –                          | 48                      | 100                     |     |
|                            | Middelburg            | OC                                     | Th                       | 440                        | –                           | –                          | 440                     | 84                      |     |
|                            | Optimum               | OC                                     | Th                       | 247                        | 208                         | –                          | 455                     | 100                     |     |
|                            | Rietspruit            | OC & UG                                | Th                       | 4                          | –                           | –                          | 4                       | 50                      |     |
|                            | ZAC                   | OC & UG                                | Anth                     | 12                         | 2                           | –                          | 14                      | 100                     |     |
|                            | Projects              | Khutala 5 seam                         | OC/UG                    | Th                         | –                           | 138                        | –                       | 138                     | 100 |
|                            |                       | Klipfontein                            | OC                       | Th                         | 93                          | –                          | –                       | 93                      | 100 |
|                            |                       | Leandra North                          | UG                       | Th                         | 443                         | 134                        | –                       | 577                     | 100 |
|                            |                       | Leandra South                          | UG                       | Th                         | –                           | 474                        | –                       | 474                     | 100 |
|                            |                       | Rem Block IV                           | UG                       | Th                         | –                           | 189                        | –                       | 189                     | 50  |
|                            |                       | Weltevreden                            | OC/UG                    | Th                         | –                           | 418                        | –                       | 418                     | 100 |
|                            |                       | Naudesbank                             | OC/UG                    | Th                         | 19                          | 33                         | 79                      | 131                     | 100 |
| Undeveloped                | Pegasus               | OC                                     | Th                       | 11                         | –                           | –                          | 11                      | 100                     |     |
|                            | Union                 | OC                                     | Th                       | 102                        | –                           | –                          | 102                     | 100                     |     |
| Mineral leases             | Miscellaneous         | UG                                     | Th                       | 50                         | 4 967                       | 2 560                      | 7 580                   | 100                     |     |
| <b>Australia</b>           |                       |  |                          |                            |                             |                            |                         |                         |     |
| Operating mine and project | Mt Arthur Coal        | OC & UG                                | Th                       | 817                        | 2 144                       | 519                        | 3 480                   | 100                     |     |
| Projects                   | Wyong                 | UG                                     | Th                       | 508                        | 816                         | 56                         | 1 380                   | 78                      |     |
|                            | Togara South          | UG                                     | Th                       | 317                        | 646                         | 1 060                      | 2 022                   | 100                     |     |
| <b>Colombia</b>            |                       |  |                          |                            |                             |                            |                         |                         |     |
| Operating mine             | Carrejon Coal Company | OC                                     | Th                       | 331                        | 468                         | –                          | 799                     | 33.3                    |     |

(1) OC = open-cut, UG = underground.

(2) Th = thermal coal, Anth = Anthracite.

#### (3) Competent Persons

San Juan, La Plata: R Vanvalkenburg (RPE NM)

Navajo: D Rawson (MAusIMM)

Khutala, Rietspruit, ZAC, Rem Block IV, Union, Mineral Leases: M A J Visser (SACNASP)

Douglas: J H Marais (SACNASP)

Koornfontein: C W Joubert (SACNASP)

Middelburg: J C van der Merwe (SACNASP)

Optimum: G J Cronje (SACNASP)

Khutala 5 Seam, Klipfontein, Weltevreden: J L Pienaar (SACNASP)

Leandra North, Leandra South, Pegasus, Naudesbank: C D Van Niekerk (SACNASP)

Mt Arthur Coal: P Grey (FAusIMM)

Wyong: K Bartlett (MAusIMM)

Carrejon Coal Company: C D Van Niekerk (SACNASP)

Togara South: D Dunn (MAusIMM).

(4) New Mexico Coal Resources have reduced by 25 Mt from the previous 2002 base due to mining depletion, revised coal thickness and reclassification. Middelburg mine increased its total Coal Resource by 37 Mt from the previous 2002 base; the increases were the result of remodelling following a drilling program. Optimum decreased its resource by 27 Mt following redefinition of the seam limits and remodelling following a drilling program. Other changes in South African Coal Resources are primarily due to mining depletion. The Mt Arthur Coal total Coal Resources have increased by 518 Mt over the previous 2002 resource base; this is due to the inclusion of Coal Resources that are potentially extractable by underground methods. The Carrejon Coal Company Resource has reduced due to reclassification 67 Mt and mining depletion 27 Mt from the previous 2002 resource base.

(5) New Mexico and Togara South Coal Resources are quoted on an in situ moisture basis; all other Coal Resources are on an air-dried basis.

**Energy Coal Customer Sector Group** continued**Energy Coal Reserves** <sup>(7)(11)(12)</sup>

The table below details the Energy Coal Reserves (in metric tonnes) estimated as at 30 June 2003.

|  | Deposit <sup>(1)</sup>        | Mining Method <sup>(2)</sup> | Coal Type <sup>(3)</sup> | Mined Recoverable <sup>(4)</sup><br>Tonnes (millions) | Marketable on air-dried basis |                           |                          |           |                               | BHP Billiton Interest % |
|--|-------------------------------|------------------------------|--------------------------|---|-------------------------------|---------------------------|--------------------------|-----------|-------------------------------|-------------------------|
|  |                               |                              |                          |   | Tonnes (millions)             | Calorific Value (Kcal/kg) | Calorific Value (Btu/lb) | Sulphur % | Total Moisture <sup>(5)</sup> |                         |
| <b>Assigned Thermal Coal Reserves</b>                  |                               |                              |                          |   |                               |                           |                          |           |                               |                         |
| <b>New Mexico</b> <sup>(6)</sup>                       |                               |                              |                          |   |                               |                           |                          |           |                               |                         |
| Operating mines  | San Juan                      | OC & UG                      | Th                       | 85  | 85                            | 5 300                     | 9 540                    | 0.70      | 9.0                           | 100                     |
|  | La Plata <sup>(8)</sup>       | OC                           | Th                       | –   | –                             | –                         | –                        | –         | –                             | 100                     |
|  | Navajo                        | OC                           | Th                       | 232   | 232                           | 4 800                     | 8 640                    | 0.84      | 13.0                          | 100                     |
| <b>South Africa</b>                                    |                               |                              |                          |   |                               |                           |                          |           |                               |                         |
| Operating mines  | Douglas                       | OC & UG                      | Th                       | 253   | 184                           | 6 470                     | 11 650                   | 0.74      | 8.0                           | 84                      |
|  | Khutala                       | OC & UG                      | Th                       | 371   | 373                           | 4 540                     | 8 170                    | 0.94      | 8.0                           | 100                     |
|  | Koornfontein                  | UG                           | Th                       | 23  | 15                            | 6 570                     | 11 830                   | 0.75      | 7.5                           | 100                     |
|  | Middelburg                    | OC                           | Th                       | 260   | 218                           | 6 400                     | 11 520                   | 0.62      | 6.7                           | 84                      |
|  | Optimum                       | OC                           | Th                       | 376   | 293                           | 6 680                     | 12 020                   | 0.52      | 8.0                           | 100                     |
|  | ZAC                           | OC & UG                      | Anth                     | 4.6   | 3                             | 7 470                     | 13 450                   | 0.90      | 6.3                           | 100                     |
| <b>Australia</b>                                       |                               |                              |                          |   |                               |                           |                          |           |                               |                         |
| Operating mine and Project                             | Mt Arthur Coal                | OC & UG                      | Th                       | 555   | 478                           | 6 420                     | 11 560                   | 0.57      | 10.2                          | 100                     |
| <b>Colombia</b>  |                               |                              |                          |   |                               |                           |                          |           |                               |                         |
| Operating mine   | Cerrejon Coal Company         | OC                           | Th                       | 769   | 759                           | 6 198                     | 11 160                   | 0.54      | 13.7                          | 33.3                    |
| <b>Unassigned Thermal Coal Reserves</b> <sup>(9)</sup> |                               |                              |                          |   |                               |                           |                          |           |                               |                         |
| Projects   | Leandra North <sup>(10)</sup> | UG                           | Th                       | 215   | –                             | –                         | –                        | –         | –                             | 100                     |
|  | Klipfontein Klipspruit        | OC                           | Th                       | 79.5  | 67.0                          | 5 490                     | 9 880                    | 0.6       | 9.0                           | 100                     |
| Undeveloped  | Pegasus                       | OC                           | Th                       | 10  | 9.0                           | 6 570                     | 11 830                   | 0.54      | 0.80                          | 100                     |

(1) Third party reserve audits have been undertaken on the following operations: Bayswater, 1997–2001 Mincon volume audits; Mount Arthur North, May 2000/2001, Dr D Balydan of Geological Management Services Pty Ltd; and Cerrejon Zona Norte (section of the Cerrejon Coal Company), August 2002 and December 2001, Mr P Riley, Exploration Computer Services, Lakefield, Colorado. San Juan mine: 1) Audit of the underground resource and reserve conducted in June 2000 conducted by Skelly & Loy, Inc; and 2) Audit of the technical design, modelling and planning data for the proposed underground mine feasibility study conducted by Marston & Marston, Inc in September 2000. This review included a review of the San Juan and La Plata modelling and planning data.

(2) **Mining method:** OC = open-cut, UG = underground.

(3) **Coal type:** Th = thermal coal, Anth = Anthracite.

(4) Recoverable Coal Reserve (tonnes) is the sum of Proven and Probable Coal Reserve estimates, which includes allowances for diluting materials and for losses that occur when the coal is mined and are at the moisture content when mined. Marketable Coal Reserve (tonnes) is the tonnages of coal available, at specified moisture and air-dried quality, for sale after beneficiation of the Recoverable Coal Reserves. Note that where the coal is not beneficiated the recoverable tonnes are the marketable tonnes, with moisture adjustment where applicable.

(5) Coal moisture content is on an as received basis.

(6) Mining recovery for Navajo mine is 95 per cent; San Juan Surface mining is 95 per cent; and San Juan Underground mining is 55 per cent.

(7) Drill spacings of between 125m by 125m and up to 750m spacing are used for Energy (thermal) Coal Proven Reserves. A drill spacing of 500m to 1000m is used

for Probable Reserves at New Mexico; for the South African and Colombian sites the Probable Reserve category is not used.

(8) The reserves of La Plata Mine (1mt) were depleted during the financial year 2002/03 and the assets are currently being reclaimed and the mine closed.

(9) The unassigned, undeveloped Coal Reserves are based on feasibility studies.

(10) No market exists currently for Leandro North, therefore no marketable tonnes available.

(11) **Competent Persons:** Navajo: D Rawson (MAusIMM); San Juan, La Plata: R Vanvalkenburg (RPE NM); Optimum: G J Cronje (SACNASP); Middelburg: J C van der Merwe (SACNASP); Douglas: J H Marais (SACNASP); Koornfontein: C W Joubert (SACNASP); Khutala, ZAC: M A J Visser (SACNASP); Mt Arthur Coal: P Grey (FAusIMM); Cerrejon Coal Company, Leandro North, Pegasus: C D Van Niekerk (SACNASP); Klipfontein Klipspruit: J L Pienaar (SACNASP).

(12) The New Mexico Coal Reserves have been reduced by approximately 45Mt due to unresolved mining rights. Khutala recoverable and marketable Coal Reserves have been reduced by 96 Mt and 104 Mt respectively due to remodelling of the reserves, changes in the extraction factor and mining depletion. Other changes in the South African thermal Coal Reserves are primarily due to production depletion. The Mt Arthur Coal Recoverable and Marketable Coal Reserve have increased by 51 Mt and 37 Mt respectively; this is the net effect of reclassification of some open-cut reserves to probable underground reserves due to a more favourable profit margin and a reserve depletion due to production mining. Coal Reserves at Cerrejon Coal Company have increased by the acquisition of Patilla Norte Coal Reserves from the Colombian government.

## Notes to Financial Statements continued

### 35 Supplementary mineral resource and ore reserves information (unaudited) continued

#### Stainless Steel Customer Sector Group

##### Stainless Steel Mineral Resources

The tables below detail Nickel and Chrome Mineral Resources (in metric tonnes) for the Stainless Steel Materials Customer Sector Group, as at the end of June 2003 in 100 per cent terms.

| Commodity   | Deposit                        | Type     | Measured Resources    |                                 | Indicated Resources   |                                 | Inferred Resources    |                                 | Total Resources       |                                 | BHP Billiton Interest % |
|---|--------------------------------|----------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-------------------------|
|   |                                |          | Tonnes (millions dmt) | Grade %Ni                       |                         |
| Nickel <sup>(4)</sup>                             | Cerro Matoso <sup>(1)(2)</sup> | Laterite | 41.3                  | 1.85                            | 15.2                  | 1.63                            | 1.6                   | 1.5                             | 58.1                  | 1.78                            | 99.8                    |
|   |                                |          |                       | %Cr <sub>2</sub> O <sub>3</sub> |                         |
| Chrome <sup>(4)</sup>                             | Western Chrome                 |          | 28                    | 41.1                            | 81                    | 41.5                            | 9                     | 38.4                            | 118                   | 41.2                            | 60                      |
| South Africa operating mines <sup>(1)(2)(3)</sup> | Eastern Chrome                 |          | 35                    | 40.9                            | 120                   | 42.9                            | 89                    | 44.0                            | 243                   | 43.0                            | 60                      |
|   | Undeveloped                    |          | 34                    | 43.7                            | 111                   | 44.0                            | 26                    | 44.4                            | 171                   | 44.0                            | 60                      |

(1) Resources for nickel are estimated on the basis of a 1.1 per cent nickel cut-off; chrome is based on a 38 per cent Cr<sub>2</sub>O<sub>3</sub> in situ chromitite cut-off.

(2) **Competent Persons:** C Rodriguez (MAAusIMM) for Cerro Matoso, and C D Beater (SACNASP) for Eastern Chrome, Western Chrome and Undeveloped Chrome.

(3) Measured and Indicated Resources for chrome are inclusive of those resources that have been modified to produce Ore Reserves. Previously resources were exclusive of those modified to produce reserves.

(4) Eastern Chrome Resources have been updated with more stringent criteria applied to resource classification; the total Eastern Chrome resource has decreased by 78 Mt from the 2002 resource base. Western Chrome Resources have increased by 41 Mt. Changes to the Cerro Matoso resource are primarily due to production depletion.

##### Stainless Steel Ore Reserves

The table below details our Stainless Steel Materials Ore Reserves (in metric tonnes), estimated as at 30 June 2003.

| Commodity                            | Deposit      | Proved Ore Reserve    |            | Probable Ore Reserve            |            | Total Ore Reserves <sup>(1)</sup> |            | BHP Billiton Interest %         |      |
|--------------------------------------|--------------|-----------------------|------------|---------------------------------|------------|-----------------------------------|------------|---------------------------------|------|
|                                      |              | Tonnes (millions dmt) | Grade % Ni | Tonnes (millions dmt)           | Grade % Ni | Tonnes (millions dmt)             | Grade % Ni |                                 |      |
| Nickel <sup>(2)(3)(4)(5)(6)(7)</sup> | Colombia     | Cerro Matoso          | 31.1       | 2.02                            | 12.0       | 1.7                               | 43.2       | 1.93                            | 99.8 |
|                                      |              |                       |            | %Cr <sub>2</sub> O <sub>3</sub> |            | %Cr <sub>2</sub> O <sub>3</sub>   |            | %Cr <sub>2</sub> O <sub>3</sub> |      |
| Chrome <sup>(2)(3)(4)(5)(6)(7)</sup> | South Africa | Western Chrome        | 10         | 36.7                            | 15         | 36.7                              | 25         | 36.7                            | 60   |
| Operating mines                      |              | Eastern Chrome        | 9          | 37.9                            | 28         | 39.9                              | 37         | 39.5                            | 60   |

(1) Mining dilution and mining recovery are accounted for in the reserve estimates.

(2) Reserves for nickel are estimated on the basis of a 1.1 per cent nickel cut-off, chrome is based on a 38 per cent Cr<sub>2</sub>O<sub>3</sub> in situ chromitite cut-off.

(3) Metallurgical recoveries for the operations are: Cerro Matoso 86 per cent nickel; Western Chrome 73 per cent chrome; and Eastern Chrome 76 per cent chrome.

(4) Reserve audits for Cerro Matoso in the last three years are: July 2000, audit undertaken MRDI (Mineral Resources Development Inc), San Mateo, California to investigate grade bias of the CMSA laboratory, on behalf of CMSA. Third party auditing has been carried out on chrome in the last year.

(5) Equivalent drill spacing of 30m for Proved Reserve, and 60m for Probable Reserve has been used for Cerro Matoso reserve classification. For the chrome mines the known (published) continuity of the chromitite layers in the Bushveld Complex allows wide-spaced drilling to delineate Proved Reserves with 300m square grid (no structural complexity).

(6) **Competent Persons:** R Argel (MAAusIMM) for Cerro Matoso, and C D Beater (SACNASP) for Eastern Chrome and Western Chrome.

(7) The Western Chrome and Eastern Chrome Reserves have been updated and reported as Run of Mine (ROM) plant feed and not as saleable product as reported in previous years. This change in reporting has increased tonnage by 4.3 Mt and 17.7 Mt for Western Chrome and Eastern Chrome, respectively; chrome grades have reduced in each case. Nickel and Chrome Reserves have been depleted by mine production.

# Shareholder Information

## Twenty largest shareholders as at 29 August 2003 (as named on the Register of Shareholders)

| BHP Billiton Plc |   |                     | BHP Billiton Limited |                             |   |               |       |
|------------------|---|---------------------|----------------------|-----------------------------|---|---------------|-------|
|                  | Number of fully paid shares                             | % of issued capital |                      | Number of fully paid shares | % of issued capital   |               |       |
| 1                | Plc Nominees Pty Ltd                                    | 564 168 050         | 22.86                | 1                           | Westpac Custodian Nominees Ltd                              | 576 536 951   | 15.37 |
| 2                | Chase Nominees Limited                                  | 179 916 348         | 7.29                 | 2                           | J P Morgan Nominees   | 534 117 665   | 14.24 |
| 3                | Mellon Nominees UK Limited <BSDTUSD A/C>                | 59 248 650          | 2.40                 | 3                           | National Nominees Ltd                                       | 472 291 328   | 12.59 |
| 4                | HSBC Global Custody Nominee UK Limited <357206 A/C>     | 56 666 098          | 2.30                 | 4                           | Citicorp Nominees Pty Ltd                                   | 177 795 398   | 4.74  |
| 5                | Chase Nominees Limited <USRESLD A/C>                    | 47 308 917          | 1.92                 | 5                           | Australian Mutual Provident Society                         | 106 814 215   | 2.85  |
| 6                | Chase Nominees Limited <BGILIFEL A/C>                   | 44 789 280          | 1.81                 | 6                           | ANZ Nominees Ltd  | 103 934 971   | 2.77  |
| 7                | Nortrust Nominees Limited <SLEND A/C>                   | 43 228 527          | 1.75                 | 7                           | Queensland Investment Corporation                           | 78 083 425    | 2.08  |
| 8                | Mellon Nominees UK Limited <BSDTABN A/C>                | 40 251 211          | 1.63                 | 8                           | Commonwealth Custodial Services Ltd                         | 55 079 558    | 1.47  |
| 9                | The Bank of New York Nominees Limited                   | 39 534 058          | 1.60                 | 9                           | HSBC Australia Nominees Pty Ltd                             | 36 905 969    | 0.98  |
| 10               | Chase Nominees Limited <PUTLEND A/C>                    | 37 073 419          | 1.50                 | 10                          | RBC Global Services Australia Nominees Pty Ltd              | 26 639 891    | 0.71  |
| 11               | Chase Nominees Limited <LEND A/C>                       | 37 020 078          | 1.50                 | 11                          | Government Superannuation Office <State Super Fund A/C>     | 16 016 784    | 0.43  |
| 12               | BNY OCS Nominees Limited                                | 35 647 269          | 1.44                 | 12                          | RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C> | 15 893 514    | 0.42  |
| 13               | Prudential Client HSBC GIS Nominee UK Limited <PAC A/C> | 32 159 904          | 1.30                 | 13                          | Commonwealth Superannuation Board of Trustees               | 13 417 271    | 0.36  |
| 14               | Nortrust Nominees Limited                               | 30 720 559          | 1.24                 | 14                          | NRMA Group  | 13 326 356    | 0.36  |
| 15               | State Street Nominees Limited <GB01 A/C>                | 27 215 484          | 1.10                 | 15                          | Westpac Financial Services Ltd                              | 13 306 408    | 0.35  |
| 16               | HSBC Global Custody Nominee UK Limited <899877 A/C>     | 25 866 147          | 1.05                 | 16                          | RBC Global Services Australia Nominees Pty Ltd <RA A/C>     | 12 436 391    | 0.33  |
| 17               | Stanlife Nominees Limited                               | 23 022 456          | 0.93                 | 17                          | Bond Street Custodians Limited                              | 11 612 667    | 0.31  |
| 18               | Vidacos Nominees Limited <FGN A/C>                      | 22 867 131          | 0.93                 | 18                          | INVIA Custodian Pty Limited                                 | 11 566 322    | 0.31  |
| 19               | State Street Nominees Limited <SS01 A/C>                | 21 913 808          | 0.89                 | 19                          | RBC Global Services Australia Nominees Pty Ltd <MLWSIF A/C> | 10 849 713    | 0.29  |
| 20               | Chase Nominees Limited <LENDNON A/C>                    | 20 531 185          | 0.83                 | 20                          | Victorian WorkCover Authority                               | 9 681 790     | 0.26  |
|                  |   | 1 389 148 579       | 56.27                |                             |   | 2 296 306 587 | 61.22 |

## Substantial shareholders

### BHP Billiton Plc

By notices provided the Company's register of substantial shareholdings showed the following interests in 3 per cent or more of the Company's shares:

|  | Date of notice | Ordinary shares | %     |
|--|----------------|-----------------|-------|
| Plc Nominees Pty Ltd   | 21 Aug 02      | 540 360 860     | 21.89 |
| The Capital Group of Companies                                     | 23 Jul 03      | 173 442 473     | 7.03  |
| Old Mutual Plc <sup>(1)</sup>                                      | 29 Aug 03      | 152 656 921     | 6.19  |
| Putnam Investment Management LLC & The Putnam Advisory Company LLC | 19 Jun 03      | 99 025 431      | 4.01  |
| Barclays Bank Plc  | 22 Jul 03      | 76 992 116      | 3.12  |
| Franklin Resources Inc & affiliates <sup>(2)</sup>                 | 29 Aug 03      | 98 518 328      | 3.99  |
| Legal & General Investment Management Ltd                          | 14 Jun 02      | 75 230 880      | 3.05  |

<sup>(1)</sup> Old Mutual Asset Managers (South Africa) (Pty) Ltd hold 79 417 870 shares representing 3.22 per cent of the total disclosed for Old Mutual Plc group companies.

<sup>(2)</sup> Chase Nominees Ltd holds 75 386 454 shares representing 3.05 per cent of the total disclosed for Franklin Resources Inc & affiliates.

### BHP Billiton Limited

The Capital Group Companies Inc, by notice dated 21 August 2002, advised that it had ceased to be a substantial shareholder.

## Shareholder Information continued

### Distribution of shareholders and shareholdings as at 29 August 2003

|                           | BHP Billiton Plc |              |                      |              | BHP Billiton Limited |              |                      |              |
|---------------------------|------------------|--------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
|                           | Shareholders     |              | Shares               |              | Shareholders         |              | Shares               |              |
|                           | Numbers          | %            | Numbers              | %            | Numbers              | %            | Numbers              | %            |
| <b>Registered address</b> |                  |              |                      |              |                      |              |                      |              |
| Australia                 | 65               | 0.7          | 920 021              | 0.1          | 306 835              | 94.2         | 3 660 614 877        | 97.6         |
| New Zealand               | 12               | 0.1          | 39 625               | 0.0          | 9 153                | 2.8          | 41 286 195           | 1.1          |
| United Kingdom            | 7 382            | 78.5         | 1 878 900 868        | 76.1         | 5 053                | 1.6          | 23 842 034           | 0.6          |
| United States             | 63               | 0.7          | 343 655              | 0.0          | 1 847                | 0.6          | 4 275 643            | 0.1          |
| South Africa              | 1 576            | 16.7         | 580 439 695          | 23.5         | 45                   | 0.0          | 111 915              | 0.0          |
| Other                     | 309              | 3.3          | 7 503 138            | 0.3          | 2 652                | 0.8          | 20 888 792           | 0.6          |
| <b>Total</b>              | <b>9 407</b>     | <b>100.0</b> | <b>2 468 147 002</b> | <b>100.0</b> | <b>325 585</b>       | <b>100.0</b> | <b>3 751 019 456</b> | <b>100.0</b> |

|                        | BHP Billiton Plc |              |                       |              | BHP Billiton Limited |              |                       |              |
|------------------------|------------------|--------------|-----------------------|--------------|----------------------|--------------|-----------------------|--------------|
|                        | Shareholders     |              | Shares <sup>(1)</sup> |              | Shareholders         |              | Shares <sup>(1)</sup> |              |
|                        | Numbers          | %            | Numbers               | %            | Numbers              | %            | Numbers               | %            |
| <b>Size of holding</b> |                  |              |                       |              |                      |              |                       |              |
| 1 – 500 <sup>(2)</sup> | 2 396            | 25.5         | 519 365               | 0.0          | 78 402               | 24.1         | 21 028 221            | 0.6          |
| 501 – 1 000            | 1 522            | 16.2         | 1 084 141             | 0.0          | 62 429               | 19.2         | 49 551 181            | 1.3          |
| 1 001 – 5 000          | 3 124            | 33.2         | 6 931 743             | 0.3          | 133 260              | 40.9         | 314 126 870           | 8.4          |
| 5 001 – 10 000         | 581              | 6.2          | 4 091 814             | 0.2          | 27 694               | 8.5          | 198 190 259           | 5.3          |
| 10 001 – 25 000        | 449              | 4.8          | 7 043 726             | 0.3          | 17 189               | 5.3          | 259 573 559           | 6.9          |
| 25 001 – 50 000        | 246              | 2.6          | 8 827 228             | 0.4          | 4 074                | 1.3          | 139 683 873           | 3.7          |
| 50 001 – 100 000       | 250              | 2.7          | 17 876 492            | 0.7          | 1 595                | 0.5          | 108 869 687           | 2.9          |
| 100 001 – 250 000      | 312              | 3.3          | 49 466 009            | 2.0          | 645                  | 0.2          | 92 790 666            | 2.5          |
| 250 001 – 500 000      | 156              | 1.6          | 55 268 134            | 2.2          | 143                  | 0.0          | 47 546 809            | 1.3          |
| 500 001 – 1 000 000    | 146              | 1.5          | 104 956 748           | 4.3          | 51                   | 0.0          | 35 614 171            | 0.9          |
| 1 000 001 and over     | 225              | 2.4          | 2 212 081 602         | 89.6         | 103                  | 0.0          | 2 484 044 160         | 66.2         |
| <b>Total</b>           | <b>9 407</b>     | <b>100.0</b> | <b>2 468 147 002</b>  | <b>100.0</b> | <b>325 585</b>       | <b>100.0</b> | <b>3 751 019 456</b>  | <b>100.0</b> |

<sup>(1)</sup> One share entitles the shareholder to one vote.

<sup>(2)</sup> Number of BHP Billiton Limited shareholders holding less than a marketable parcel (A\$500) based on the market price of A\$10.93 as at 29 August 2003 was 7 779.

|                                 | BHP Billiton Plc |              |                      |              | BHP Billiton Limited |              |                      |              |
|---------------------------------|------------------|--------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
|                                 | Shareholders     |              | Shares               |              | Shareholders         |              | Shares               |              |
|                                 | Numbers          | %            | Numbers              | %            | Numbers              | %            | Numbers              | %            |
| <b>Classification of holder</b> |                  |              |                      |              |                      |              |                      |              |
| Corporate                       | 3 773            | 40.11        | 2 448 969 295        | 99.2         | 45 061               | 13.8         | 2 706 836 136        | 72.2         |
| Private                         | 5 634            | 59.89        | 19 177 707           | 0.8          | 280 524              | 86.2         | 1 044 183 320        | 27.8         |
| <b>Total</b>                    | <b>9 407</b>     | <b>100.0</b> | <b>2 468 147 002</b> | <b>100.0</b> | <b>325 585</b>       | <b>100.0</b> | <b>3 751 019 456</b> | <b>100.0</b> |

**Dividend payments**

If you wish to have your dividends paid directly into a bank or building society account, please contact the Registrar in the UK or South Africa, as appropriate, for a dividend mandate form.

When you close or amend your banking arrangements, it is essential you notify the Registrar of the new details.

**Dividend determination**

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

**Dividend payment in US dollars**

Any shareholder wishing to receive their dividend payment in US dollars must write to the appropriate Registrar so that their election is received no later than the record date. Any request to be paid in US dollars will remain in force until the payment of that dividend and will be irrevocable.

**Consolidation of share certificates**

If your certificated ordinary shareholding is represented by several share certificates, you may wish to have these replaced by one consolidated certificate. There is no charge to individuals for this service. You should send your share certificates to the appropriate Registrar.

**Change of address**

It is important that shareholders notify BHP Billiton Plc in writing immediately if there is a change to their registered address. For the protection of shareholders, instructions to BHP Billiton Plc need to be in writing and directed to the Registrar in the United Kingdom or South Africa, as appropriate.

**Stock exchange listings**

BHP Billiton Plc is listed on stock exchanges in the UK (London), South Africa (Johannesburg) and France (Paris). In addition, American Depositary Shares (each representing two ordinary shares) evidenced by American Depositary Receipts (ADRs) issued by JPMorgan Chase Bank, as Depositary, trade on the New York Stock Exchange.

**Annual General Meeting**

The Annual General Meeting of BHP Billiton Plc will be held at the Queen Elizabeth II Conference Centre, Westminster, London, on Friday, 24 October 2003 commencing at 10.30 am.

Details of the business of the meeting are contained in the separate Notice of Meeting enclosed with this Annual Report.

**Enquiries**

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

Shareholders may also telephone (44 20) 7802 4000 or write to:

Deputy Company Secretary  
BHP Billiton Plc  
Neathouse Place  
London SW1V 1BH  
United Kingdom

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# Corporate Directory

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## **BHP BILLITON PLC REGISTERED OFFICE**

### **United Kingdom**

Neathouse Place  
London SW1V 1BH UK

Telephone (44 20) 7802 4000

Facsimile (44 20) 7802 4111

### **Company Secretary**

Karen J Wood

## **BHP BILLITON OFFICES CORPORATE CENTRES**

### **Australia**

BHP Billiton Limited  
BHP Billiton Centre  
180 Lonsdale Street  
Melbourne VIC 3000

Telephone (61 3) 9609 3333

Facsimile (61 3) 9609 3015

### **United Kingdom**

Neathouse Place  
London SW1V 1LH UK

Telephone (44 20) 7802 7000

Facsimile (44 20) 7603 8008

### **South Africa**

6 Hollard Street  
Johannesburg 2001  
Republic of South Africa

Telephone (27 11) 376 9111

Facsimile (27 11) 838 4716

### **United States**

1360 Post Oak Boulevard, Suite 150  
Houston, TX 77056-3020 USA

Telephone (1 713) 961 8500

Facsimile (1 713) 961 8400

## **MARKETING OFFICES**

### **Netherlands**

Verheeskade 25  
2521 BE The Hague  
The Netherlands

Telephone (31 70) 315 6666

Facsimile (31 70) 315 6767

### **Singapore**

168 Robinson Road #10-01  
Capital Tower  
Singapore 068912

Telephone (65) 6349 3333

Facsimile (65) 6349 4000

## **REGISTRARS AND TRANSFER OFFICES**

### **United Kingdom**

The Registrar  
Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH  
Postal Address – PO Box 82 Bristol BS99 7NH

Telephone (44 870) 703 0051

Facsimile (44 870) 703 6103

Email queries: [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)

### **South Africa**

Mailing Address  
Computershare Limited  
PO Box 61051  
Marshalltown 2107  
South Africa

### **Office Address**

70 Marshall Street  
Johannesburg 2001  
South Africa

Telephone (27 11) 370 5000

Facsimile (27 11) 688 5218

### **United States**

ADR Depository, Transfer Agent and Registrar  
JPMorgan Chase Bank  
Shareholder Services  
PO Box 43013  
Providence, RI 02940-3013  
USA

Telephone (1 781) 575 4328 (outside of USA)

1 800 990 1135 (toll-free within USA)

Facsimile (1 781) 575 4082

Email: [adr@jpmorgan.com](mailto:adr@jpmorgan.com)

## **Receive your Annual Report electronically.**

BHP Billiton Plc's Annual Report is also posted on the internet. Shareholders are encouraged to visit [www.bhpbilliton.com](http://www.bhpbilliton.com) to inspect the electronic version of the Annual Report and provide feedback to the Company.

[www.bhpbilliton.com](http://www.bhpbilliton.com)