A NEW DAY BEGINS

BHP BILLITON PLC

ANNUAL REPORT 2001

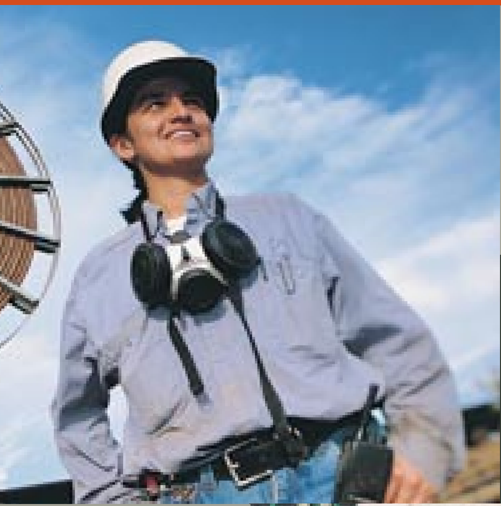
bhpbilliton

STRENGTH FLEXIBILITY GROWTH RESPONSIBILITY

FINANCIAL HIGHLIGHTS – BHP BILLITON GROUP

US$ million	2001	2000	change
Turnover	19 079	18 402	4%
EBIT excluding exceptional items	3 627	3 027	20%
Attributable profit excluding exceptional items	2 189	1 743	26%
Attributable profit including exceptional items	1 529	1 506	2%
Operating cash flow and dividends from joint ventures	4 959	4 571	8%
Capital & investment expenditure	5 764	1 773	225%
Net operating assets (at 30 June)	21 712	20 275	7%
Attributable net assets (at 30 June)	11 340	11 036	3%
EBITDA interest coverage excluding exceptional items (times)	11.1	9.1	22%
Gearing (at 30 June)	38.4%	34.2%	12%

	2001	2000	change
Basic earnings per ordinary share excluding exceptional items (US cents)	36.8	30.4	21%
Basic earnings per ordinary share including exceptional items (US cents)	25.7	26.3	-2%
BHP Billiton Plc dividends per ordinary share (US cents)	12.00	11.25	7%
BHP Billiton Limited dividends per ordinary share (AUD cents)			
– excluding bonus issue	51.0	51.0	–
– including bonus issue	24.7	24.7	–







STRENGTH FLEXIBILITY GROWTH RESPONSIBILITY

Paul Anderson, CEO and Managing Director (right), with Brian Gilbertson, Deputy CEO.

The merger of Billiton Plc and BHP Limited is the crowning achievement of the past year, and a significant event in the global resources industry.

BHP Billiton has outstanding credentials. As we said at the time of the Dual Listed Companies (DLC) merger, the new structure created "a formidable enterprise of global scale and diversity, with the capacity and flexibility to pursue international growth opportunities, and with outstanding access to major capital markets." This Report illustrates the strength, flexibility and growth we highlighted then, as well as the responsibility we believe will be essential to being a leading company in the future.

The law in the United Kingdom and in Australia requires us to adopt a different approach to reporting results for the year. In the United Kingdom, we are required to report as though the companies had been merged for the whole year, while in Australia the report is required to be prepared on a stand-alone basis. For this reason we have prepared two Annual Reports – one for BHP Billiton Plc and another for BHP Billiton Limited.

The inside front cover contains details about how you can obtain a copy of the Report for BHP Billiton Limited.

BHP Billiton has an exceptional collection of low cost, long life resource assets complemented by a management team determined to operate those assets in a highly efficient manner, consistent with our Charter and health, safety, environment and community policies. We have financial strength through both our cash flow and our balance sheet, a diversity of products, markets and geographic risks, management depth and an enviable growth platform.

To lead the resources industry, however, requires harnessing the knowledge our people have of markets and customers, of risk and opportunities. It will require intelligent people with the right values and attitudes to transform knowledge into outcomes that create real and sustainable value. Our future success will be determined as much by how we do things as by what we do.

As our business continues to evolve, we hope you will keep in touch with these changes through our web site **www.bhpbilliton.com**.

One illustration of the strength of BHP Billiton is the quality of our world-class assets. Two of those assets are shown on this page.

Our Pilbara mines (above) in the north-west of Western Australia represent one of the world's largest iron ore operations, enabling us to offer customers a range of iron ore types and qualities to meet a variety of requirements. We are working closely with steel-making customers to develop raw material solutions that optimise individual blast furnace performance. Recent initiatives have continued to improve operating efficiency.

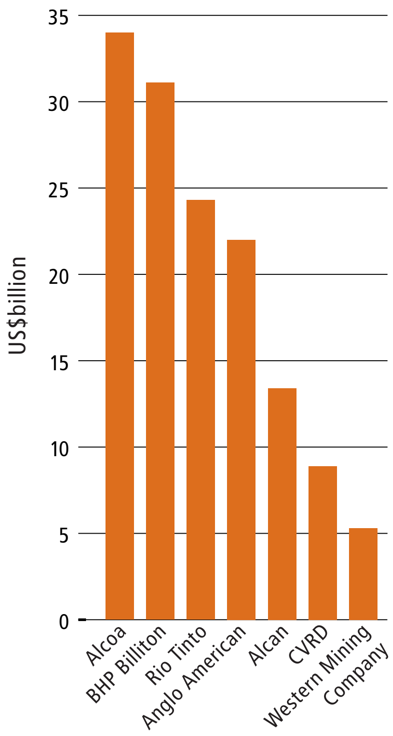
We have five mining operations in the Pilbara, the largest of which are Yandi and Mt Whaleback (one of the biggest single pit iron ore mines in the world). Around 700 kilometres of rail lines service the mines, with trains up to three kilometres long hauling product to the Port Hedland processing and shipping facility about 400 kilometres away.

In terms of production, Escondida (below) is the world's largest copper mine, supplying more than nine per cent of the world copper market. The mine is located 160 kilometres south-east of the northern Chilean city of Antofagasta. A low-cost producer, Escondida is an unequalled resource, with high-quality products (copper in concentrate and cathode), strong cash flows, robust credit classification and a diversified sales base.

In November 2000, with our joint venture partners, we committed to the Escondida Phase IV development, which will increase processing capacity by 85 per cent, and increase BHP Billiton's net copper production by 230 000 tonnes per annum on average over the first five years of full production. Further expansion is possible at Escondida Norte, a significant high-grade resource five kilometres north of the existing pit, adding greater strength to this world-class asset.

STRENGTH FLEXIBILITY GROWTH RESPONSIBILITY

Market Capitalisation
as at 30 June 2001



Source: Datastream

A premier diversified global resources group

Market capitalisation of US$31 billion as at 30 June 2001 and turnover of US$19 billion for 2001, makes the BHP Billiton Group one of the world's largest diversified resources groups.

An industry leader

We hold industry leader or near-leader positions in a range of products, being the:

- world's largest exporter of energy (thermal) coal
- world's largest exporter of metallurgical coal for the steel industry
- world's third-largest producer of iron ore
- world's third-largest producer of copper
- western world's third-largest producer of aluminium
- world's largest producer of manganese, chrome and ferroalloys.

We also have substantial interests in oil, gas, liquified natural gas (LNG), nickel, diamonds and silver.

World-class assets

A major strength is our quality portfolio of long-life, low-cost assets in diverse geographic locations.

Strong management team

The DLC merger has deepened and strengthened our management team.

Our team has:

- a shared vision with a clearly articulated set of values and proven track record of delivering results and increasing shareholder value
- a demonstrated ability to improve operating results while reducing leverage
- extensive experience managing projects in diverse political, geographic and geological environments
- demonstrated ability to improve operating efficiencies and to acquire and integrate assets.

The flexibility to respond effectively to the needs of our customers and markets is a key outcome of BHP Billiton's new business model. As a first step, Customer Sector Groups have been established, and a new marketing organisation formed with twin hubs in Singapore and The Hague in the Netherlands.

The Singapore team's emphasis will be on the Asian energy market (built around energy coal, oil and gas) and carbon steel-making raw material. Pictured above are Yoshiaki Kusuhara, Manager, General Administration Division, Nippon Steel Kimitsu Works, with Yoshio Kotani and Victor Petersen, BHP Billiton Marketing.

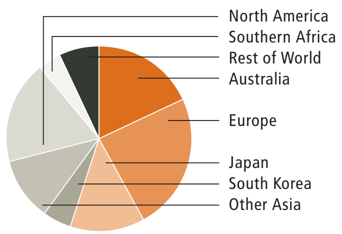
The focus of The Hague team will be on aluminium, base metals and the European energy coal market, as well as freight and logistics.

Our position in coal is another illustration of the flexibility of our group, allowing us to facilitate logistical arbitrage, substitute product from across different geographical regions, and trade in third-party products. We have played a leading role in changing the way coal is traded, through the establishment, with other leading members of the world coal industry, of Global Coal, an Internet-based marketplace where participants can trade electronically in coal products and related instruments.

One of the first projects to be approved by BHP Billiton was the Mount Arthur North (MAN) open-cut energy coal mine (below), at an estimated capital cost of US$411 million. Adjacent to the Bayswater Colliery in the Hunter Valley, NSW, Australia, this high-value 'brownfield' expansion will produce up to 15 million tonnes per annum of raw coal. Full capacity production is expected by 2006.

MAN and Bayswater will be mined as one large operation, providing benefits from synergies in management, mining plants, infrastructure and equipment, and marketing – further illustrating our resource flexibility.

STRENGTH FLEXIBILITY GROWTH RESPONSIBILITY



TURNOVER BY GEOGRAPHICAL MARKET
At 30 June 2001

Flexibility to pursue new opportunities because of our:

- access to international capital markets as a member of the Financial Times Stock Exchange (FTSE) 100 Index in London and our position as one of the largest companies in the Australian Stock Exchange (ASX) All Ordinaries Index
- financial strength resulting from substantial annual cash-generating capability and a robust balance sheet
- knowledge of markets, countries, risks and products.

Flexibility to manage risk because our:

- geographic, product and market diversity reduces exposure to industry cycles and regional economic sensitivities
- highly competitive operating cost structure provides downside protection
- the mix of minerals and petroleum assets provides diversification
- DLC merger has improved our risk profile.

Flexibility to provide customer and market solutions because our:

- diversity of products allows us to look at bundling customer solutions
- Customer Sector Group structure focuses the organisation on customers rather than assets
- global marketing team structure allows better servicing of customer requirements, enabling us to source product from different geographical regions and, potentially, third parties
- product marketers co-located in Singapore and The Hague can share knowledge of customer requirements.

Workers from the Mozal aluminium smelter (above), near Maputo in Mozambique. This is a significant 'brownfield' growth project for BHP Billiton. Announced in June 2001, the US$860 million expansion will add 253 000 tonnes per annum to the existing 250 000 tonnes per annum capacity of the smelter, with first ingots expected in late 2003.

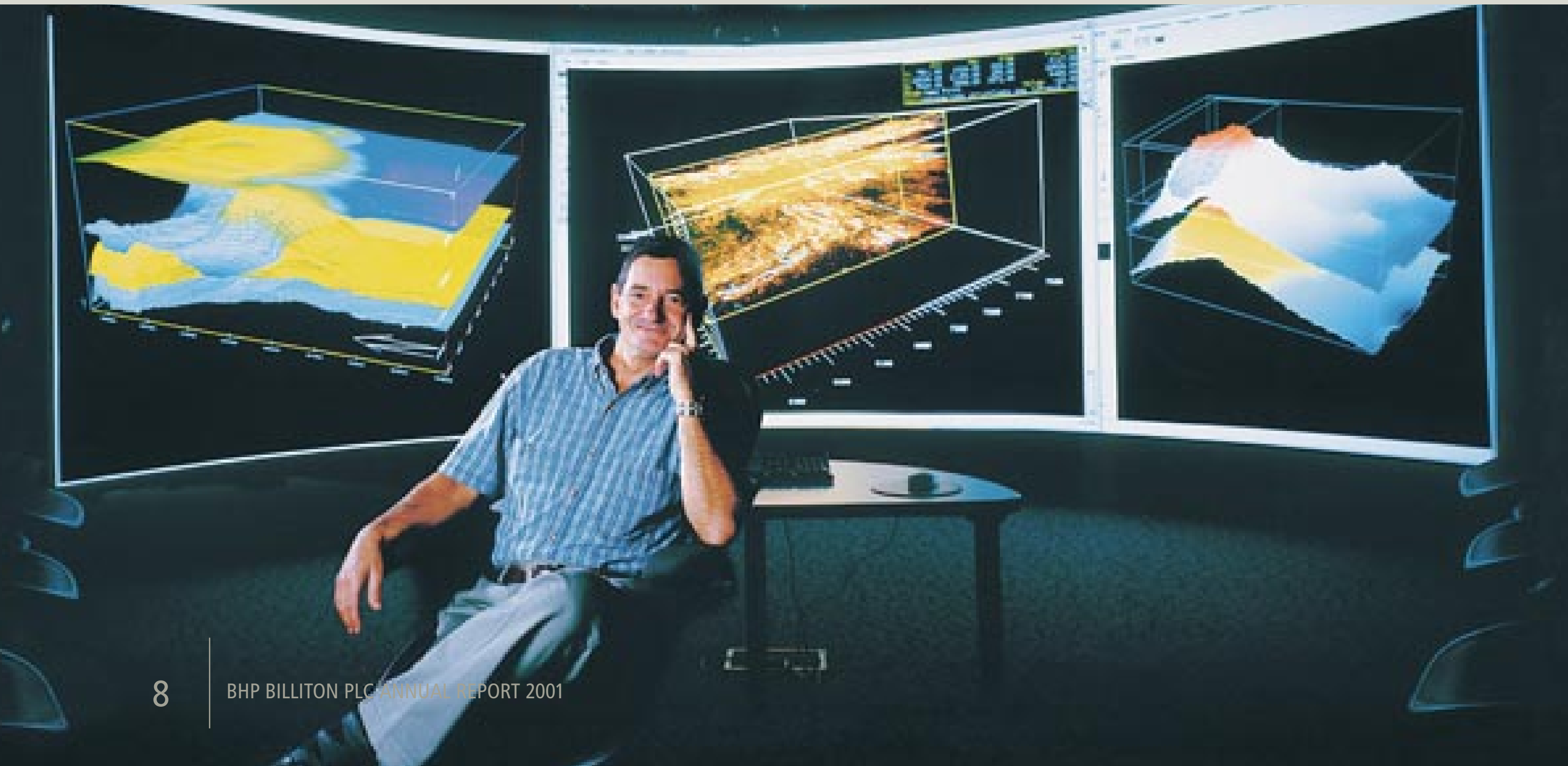
Mozal was officially opened in September 2000. Construction was completed in a record 25 months, some six months ahead of schedule, and at a total cost of US$1.2 billion, some US$100 million under budget.

The success of the project is underpinned by the support of the Government of Mozambique and the excellent relationships developed at local, regional and national levels.

In pursuit of 'greenfield' opportunities, BHP Billiton is a leading competitor in the deep and ultra deepwater of the Gulf of Mexico (USA) – one of the most exciting hydrocarbon exploration opportunities in the world today.

Since 1994, BHP Billiton has acquired a significant lease position in the area. BHP Billiton's acquisition cost for the nearly 220 Gulf of Mexico leases it holds today is considerably lower than the industry average. Senior Geophysicist Alan Anderson is pictured with Gulf of Mexico exploration images in Houston (below).

Exploration efforts are focused on the highly prospective Central Gulf region, where the company is targeting a number of large prospects. The Typhoon discovery was brought into production during 2001, and progress continues on the Mad Dog and Atlantis finds – among the largest fields yet discovered in the region – to bring them closer to sanction in the year ahead.



STRENGTH FLEXIBILITY GROWTH RESPONSIBILITY

The DLC merger of Billiton Plc and BHP Limited has opened the door to a new phase of growth for both companies, combining diversity of opportunities and expertise with the financial strength of the new Group.

An outstanding portfolio of growth projects:

- Our well-balanced portfolio provides the Group with a selection of opportunities for investment and expansion over the next decade.
- US$6 billion was committed in financial year 2001 to future growth projects, including the Phase II expansion of the Mozal aluminium smelter in Mozambique and the Mount Arthur North coal project in Australia.
- 'Brownfield' projects are additions to existing projects, whereas 'greenfield' projects are new additions to the portfolio.
- Flexibility offered by a range of growth projects allows the Group to respond to changing market conditions in various geographic and product areas.

Our financial strength:

- is reflected by our strong financial position, cash generating capability and access to international capital markets
- enhances our ability to undertake both brownfield and greenfield projects
- is underpinned by a conservative approach to portfolio management, with a commitment to return capital to shareholders if value-adding opportunities are not found.

Last year was one of the most important for the Cerro Matoso nickel operation in Colombia, with doubling of the capacity of the ferronickel plant. A key to the success of the project was BHP Billiton's commitment to building relationships through its Health, Safety, Environment and Community (HSEC) programs, with a view to promoting the region's sustainable development.

Cerro Matoso supports a wide range of environmental and community initiatives, including programs to create and strengthen small and medium size enterprises, municipal health programs, training in local crafts, teacher training programs, essential civic and educational infrastructure projects, cultural programs for young people, and agricultural development programs.

A key agricultural initiative is a wide-ranging program of workshops (as pictured above in Montelibano) to educate and support local farmers in the use of a newly developed bio-fertiliser that can cut farming costs while increasing yields of crops.

In Australia, BHP Billiton has focused on establishing sustainable partnership programs that foster community engagement and volunteerism. A major program with Conservation Volunteers Australia (CVA), Australia's largest conservation organisation, was launched in March 2001.

Titled 'Revive our Wetlands', the program aims to protect and revitalise 100 of Australia's most important wetlands by building the skills and knowledge of local communities. Wetlands are important life support systems and are vital for ecological sustainability.

Over the three-year program, thousands of volunteers will be involved in local wetlands conservation activities such as planting native grass species, removing weeds and building walking tracks.

A pilot program was undertaken in Queensland at the Townsville Town Common, a world-renowned conservation park and habitat for thousands of migratory birds (pictured below). Through inappropriate land use and exotic weed invasion, the area had become severely degraded. The results of the pilot were very encouraging, with extensive involvement by the community.

STRENGTH FLEXIBILITY GROWTH RESPONSIBILITY

Health, Safety, Environment and Community (HSEC)

As a global group, we acknowledge our role in wider society through a commitment to sustainable development. The BHP Billiton Charter reflects this value to guide us in our day-to-day operations. Our Charter also recognises that we must ensure the communities in which we operate value our citizenship.

Underpinning the Charter is our Policy, *Working Responsibly at BHP Billiton*, which in turn is supported by detailed HSEC Management Standards.

As a reflection of our commitment to apply the principles of the Policy and Management Standards, Health, Safety and Environment governance resides at the highest level – the Health, Safety and Environment Committee, which is a sub-committee of the Board. The Committee is chaired by a Non-Executive Director and members include independent experts.

HSEC functional management is coordinated and monitored through the HSEC Forum, chaired by the Vice President Health, Safety and Environment. The Forum steers the activities of our HSEC professionals located within each Customer Sector Group – a collaborative approach focusing on continual performance improvement.

Through the DLC merger integration process, HSEC Policy development revealed shared philosophies and commitments, all of which have been retained or strengthened. Of particular note are the following areas:

- **Zero harm to people and the environment – our ultimate goal**
  It is encouraging that during the integration process, our combined safety performance has generally improved. We also have in place a unified approach to reducing the environmental impacts of our activities.
- **Consistent HSEC management systems**
  Recognising that we are a global group comprising localised operations, our Policy prescribes consistent HSEC management systems wherever we operate, while enabling each site to effectively respond to local issues.
- **Human rights**
  We are committed to supporting the fundamental human rights of people with whom we work, consistent with the United Nations Universal Declaration on Human Rights.
- **Community programs**
  We will continue to seek opportunities to share the success of our operations with the communities in which we work. Our overall target is to contribute one per cent of our pre-tax profit to sustainable community development programs.

In addition to these new elements, the Policy reinforces our approach to risk management, regular reviews, assessments and reporting.

Going forward, we will set five-year HSE targets to keep our focus firmly centred on improved performance, and to allow others to monitor our progress and determine our advance towards sustainable development.

CHAIRMAN'S REPORT

"THE DLC MERGER OF BILLITON AND BHP HAS CREATED A COMPANY OF UNRIVALLED STRENGTH IN TERMS OF THE DIVERSITY OF ITS BUSINESS MIX, BREADTH OF CUSTOMER RELATIONSHIPS AND ASSET QUALITY. BHP BILLITON STANDS ON THE THRESHOLD OF AN IMPORTANT STAGE OF ITS OWN EVOLUTION, AND ALSO THAT OF THE RESOURCES SECTOR."

DON ARGUS, CHAIRMAN

The Dual Listed Companies (DLC) merger of Billiton Plc and BHP Limited has created a Group of unrivalled strength in terms of the diversity of its business mix, breadth of customer relationships and asset quality. BHP Billiton stands on the threshold of an important stage of its own evolution, and also that of the resources sector.

By putting together the complementary, high-quality assets of each group, along with the very best of our skills and people, we have created a resources group that is exceptionally well-placed to deliver substantial benefits to all stakeholders – shareholders, employees, customers and suppliers, joint venture partners, and communities.

The rationale for the DLC merger was compelling. The resources sector is rapidly globalising and consolidating. Global fund managers want highly liquid, industry-leading investment choices.

The Billiton Plc and BHP Limited Boards recognised that the DLC merger of the two companies presented a unique opportunity to be a major contributor in the efficient consolidation of the resources sector. It would also create a new industry leader and in doing so meet the requirements of each set of shareholders to enable the companies to make the transition to the next stage of growth.

The BHP Billiton DLC merger may, in many respects, be a defining transaction for the resources sector. Fundamentally, for both sets of Directors, the imperative was the same – to create a new entity that will deliver outstanding shareholder value in a way that demonstrates the best standards of environmental, social and safety management. Shareholders of both Companies have recognised the strategic imperative of this DLC merger, but rightly demand that significant value accretion must follow. In this regard, they apply the same criteria the Directors have in supporting this transaction.

Benefits to shareholders of BHP Billiton

BHP Billiton has an industry-leading position in major commodity businesses, including aluminium, iron ore, copper, energy coal and metallurgical coal. We have global scale in our asset base, markets and customers. An impressive portfolio of development opportunities gives us a growth platform second to none. This platform has many 'brownfield' opportunities – expansion of existing projects. These are inherently less risky than 'greenfield' projects or acquisitions. We have the cash flow generation, strong balance sheet and enhanced access to capital markets through the DLC structure to fund appropriate growth.

We have a substantial presence in the three key resource regions of the world – Australia, Latin America and Africa.

An important feature of the new Group is its overall risk profile. In essence, the Group provides shareholders with a better spread of risks and an improved ability to manage those risks.

The diversification of both commodity and country exposures further enhances our risk profile. With assets and markets spread around the globe, our exposure to any one customer group, or industry, or cycle of an individual commodity is reduced.

Risk management within both groups had evolved substantially

WE HAVE THE CASH FLOW GENERATION, STRONG BALANCE SHEET AND ENHANCED ACCESS TO CAPITAL MARKETS TO FUND APPROPRIATE GROWTH

prior to the DLC merger. Billiton Plc brings valuable on-ground experience and success in managing risks in challenging environments, such as Africa. BHP Limited brings strong capital management, country risk management and project evaluation and execution disciplines.

Much of the world's natural resource potential lies in less-developed regions, where assessing and managing risks is critical to achieving superior and sustainable returns. BHP Billiton brings considerable expertise and experience to this task.

A further benefit of the DLC merger is the outstanding management capability in the Group. We have people with deep management experience in marketing and operations across a range of businesses, in systems capabilities such as global procurement and e-commerce, in capital management and in trading capabilities. There is also impressive expertise in areas such as environmental and community management practice, which can be applied throughout the BHP Billiton Group.

We continue to link executive remuneration with the interests of shareholders. Board approval of key financial and performance hurdles ensures that executives' benefits are linked to shareholder objectives.

Paul Anderson and Brian Gilbertson are highly skilled and visionary people. They have proven track records in delivering shareholder value and bring a shared philosophical commitment to the way shareholder value will be created in BHP Billiton. I have been impressed by the manner in which they brought the DLC merger to fruition, and I am pleased at the progress made in integrating the two organisations. They lead the formidable team of professionals we have throughout the BHP Billiton Group.

Business outlook

The slow-down in the global economy has intensified in the last six months, reducing industrial production and, consequently, commodity demand across the OECD. Notwithstanding generally low consumer inventory levels, the prices of a number of traded metals have fallen sharply.

Base metals, stainless steel materials and alumina have borne the brunt of the slow-down. Copper prices are at their lowest in several years. Stainless steel raw materials have been affected by the downturn in stainless steel consumption and the resulting smelting cutbacks undertaken by producers to mitigate stock build-up. Power-related disruptions to aluminium supply from the Pacific North West USA, and elsewhere, while offsetting particularly the weakening consumption in North America, have in turn reduced demand for alumina, with a resultant fall in the spot price.

Fortunately, a number of our important businesses have so far been sheltered from the global slow-down. Oil prices have remained in the range of US26 to US$27 per barrel as OPEC has adjusted supply to meet demand. The underlying demand for seaborne energy coal also remains firm, especially in the US market, though prices have levelled out after the strong rise during the first half of 2001. Metallurgical coal prices have also been sustained by a tight supply situation and strong demand. Iron ore prices are approaching cyclical highs, reflecting robust growth in seaborne iron ore trade for imports to China and elsewhere in Asia.

A world-wide recovery is unlikely until the economy in the US begins to improve, the European market reverses its recent slowdown and there is a resolution of the persistent recessionary environment in Japan. While a global slow-down will impact our financial results, our robust low-cost operations and the diversified nature of our businesses will buffer changes in individual products and markets, and provide resilience to our earnings and cash flows.

Dividends

Under the DLC structure, the Board will determine dividends in the usual way. There are now two sets of shareholders, and the level of the dividend will be the same for both. BHP Billiton Limited shareholders will have their shares franked according to the capacity of the business to do this.

The Board

The businesses of BHP Billiton Plc and BHP Billiton Limited will, under the terms of the DLC merger, be operated as though they were a single unified entity. Directors, of which there are initially 17, will have regard to the interests of shareholders of BHP Billiton Plc and shareholders of BHP Billiton Limited as though they were shareholders of one company.

With 17 directors, the initial size of the Board is undoubtedly larger than is ideal. As directors leave the Board it is unlikely that they will be replaced unless the Board considers there is a gap in the skills represented and identifies an exceptional candidate to meet that gap. Regular reviews of Board performance will assist in determining the effectiveness of the Board as a whole and in identifying any perceived skills gaps.

BHP Billiton Plc and BHP Billiton Limited each has comprehensive governance policies and practices that were designed to meet not only best practice but also the regulatory environment in which they have each operated. Details of these practices and policies have been regularly reported.

One of the immediate tasks for the new Board was to oversee the development of a single governance regime that would reflect world's best practice as well as satisfy the regulatory environment in the myriad of jurisdictions in which BHP Billiton will now operate. As we go to print I am able to report that this process is well advanced.

The Directors are committed to ensuring that BHP Billiton meets the highest standards in the governance of all of its affairs and will regularly report on its governance regime. In the meantime, the affairs of both companies continue to be operated according to the governance principles already in place. Where any discrepancy is found to exist between the practices of the companies, the Board is applying the practice of meeting the better of the prevailing standards.

Within the agreed governance framework, the success of any organisation is to a large measure dependent on the working relationship between Board and management. The quality of that relationship is evident, even at this early stage of the DLC merger. I am confident that the combined Boards and the combined management teams will work effectively, based on our aligned interests, depth of industry knowledge and experience, and our shared commitment to deliver on the expectations of all shareholders.

A review of the year past would not be complete without a specific acknowledgment of the contribution made by all employees. In addition to managing their day-to-day responsibilities, it gives my Board colleagues and I considerable encouragement to also see the manner in which employees have embraced the DLC merger with BHP. Many have experienced considerable change in their roles. Some have left the Company as our needs have changed. To all employees, and particularly to those affected by the merger, I convey my thanks and the thanks of the Board.

Don Argus
Chairman

Dual Listed Companies Structure

The Dual Listed Companies (DLC) structure means that the pre-existing primary listings on the Australian and London Stock Exchanges are maintained, along with the secondary listing on the Johannesburg Stock Exchange (and an American Depositary Receipts listing on the New York Stock Exchange). The companies are now known as BHP Billiton Plc and BHP Billiton Limited. The economic and voting interest of each BHP Billiton Plc share and each BHP Billiton Limited share is equal. Under the DLC structure, shareholders will receive equalised dividends from their holding of either BHP Billiton Plc or BHP Billiton Limited shares as was the case formerly.

CEO'S REPORT

"THE DLC MERGER OF BILLITON AND BHP CREATES A LEADING COMPANY IN THE RESOURCES SECTOR. THE NEW ORGANISATION NOW OPERATES AS A TRUE GLOBAL GROUP, WITH LISTINGS ON MULTIPLE EXCHANGES, A DIVERSIFIED INTERNATIONAL SHAREHOLDER BASE, INVOLVEMENT IN MANY DIFFERENT COMMUNITIES, AND SERVING CUSTOMERS ALL AROUND THE WORLD."

PAUL ANDERSON, CEO AND MANAGING DIRECTOR

The DLC merger of Billiton Plc and BHP Limited creates a leading company in the resources sector.

The new organisation now operates as a true global Group, with listings on multiple exchanges, a diversified international shareholder base, involvement in many different communities, and serving customers all around the world.

Size and scale provide BHP Billiton with many opportunities to deliver high-value growth. However, the investment appeal should not be confined to our efficiency and strength as a player in the resources sector. Our goal is to have BHP Billiton judged by its performance on key measures such as return on shareholders' equity and total shareholder return and by the ability to grow the Group's cash flow from its underlying assets. In this way, BHP Billiton will be more than a resources company tied to market views of economic cycles; it should become a credible, longer-term core investment in a universe of world-class companies.

The DLC merger has brought together a unique portfolio of assets. BHP Billiton's position in iron ore, energy coal, metallurgical coal, aluminium and copper places the Group in the top tier of industry leaders. Likewise, the Group has strong positions in oil and gas, in industrial minerals, nickel and ferro alloys and diamonds. In 2001, BHP Billiton generated a return on total capital employed of 13 per cent, excluding exceptional items, and net operating cash flows of US$5.0 billion. Irrespective of the industry, this underlying asset quality and strength of cash flow is a major differentiating factor for BHP Billiton.

The combination of the two companies has also broadened the geographical spread of the assets and diversified the customer base. Both are important for risk management, by enhancing the stability of earnings and giving us new growth-in-value opportunities. As an illustration, in financial year 2001, 37 per cent of BHP turnover and 17 per cent of Billiton turnover was generated from Asia; on a combined basis, that particular market will represent about 29 per cent of revenues, enabling a better balance across Asia, Australia, Europe and the United States.

The enhanced scale, diversification and strength of BHP Billiton is in itself impressive. However, the real challenge is to optimise the value of this portfolio. How can we build on our global market presence, on our strong position in energy, on our broad suite of high-quality inputs to global steel-makers and other customer groups? Our ability to act creatively in these areas, while efficiently managing our assets and growth, can create major benefits for shareholders and other stakeholders.

We are currently developing the strategic framework of the Group. While it is too early to give precise details, the guiding principles are clear. We are committed to creating shareholder value, and metrics to measure our progress against that goal will be publicly available. Consistent governance standards of the highest level will apply across all our activities. We will manage the portfolio to maximise value, with stringent capital allocation.

Above all, our greatest asset is the knowledge held by our people. We are creating an environment where people know clearly what is expected, are rewarded for results and are held accountable. It will be an open, results-oriented unbureaucratic organisation.

Underpinning everything is our commitment to the BHP Billiton Charter, which articulates our values and defines success as satisfying all our stakeholders. The Charter has a specific, over-riding commitment to safety, environmental responsibility and sustainable development. This is the foundation stone of the entire operation.

I am really excited by how well the organisation has come together. We hit the ground running on 29 June when the formal DLC merger occurred and quickly put in place the processes to make sure we did not make mistakes and that business continued effectively from day one. We have put together the best from both organisations, and are now going about the business of making this Group as great as we know it can be. The new team works well together and the asset base is awesome. Once we sort through what we have and learn how to get the most value out of the assets, we will be hard to catch.

We will be doing business in a different way, by re-defining our space from the dirt in the ground to the end user. Today we have the scope and the scale to generate an enormous knowledge base built from our large suite of commodities, our diverse spread of customers and geographic regions, our deep knowledge of countries and risk.

How do we use that knowledge? We think of customers first, and work back to the assets; we have redirected our thinking that way. A critical part of our success as a new Group will be how we deliver goods and services to our markets. The organisation is designed around our Customer Sector Groups (CSGs) – a shift away from the former emphasis on products and production. Putting it simply, it will be more about focusing on the needs of our customers rather than just what we have to sell.

Seven Customer Sector Groups have been formed, and these are detailed on the pages following my report. All key appointments have been made. The Presidents of the Customer Sector Groups and their teams have full accountability for performance at the Earnings Before Interest and Tax (EBIT) level and for capital efficiency as measured by Shareholder Value Added (SVA). They will be responsible for developing new ways of accessing existing markets and creating customer solutions to expand or strengthen our customer base. Marketing resources at the Customer Sector Group level will be supported by two marketing hubs, based in The Hague and Singapore.

A key feature of the customer approach will be to bring together marketing across Customer Sector Groups where this makes sense. For example, BHP Billiton has a major position in the energy sector, with energy coal, oil and gas production sourced from three geographical bases. Assembling offers of complete energy packages to customers will be one of the functions of the Singapore marketing hub.

Other integration activities have gone well. It was important to us that we made sure the governance arrangements in areas such as capital management, risk assessment and health, safety and environment were in place early.

Corporate governance arrangements have been established. BHP Billiton's capital management process will be controlled by an Investment Review Committee, chaired by the Chief Financial Officer. This committee will oversee the approvals and review processes for all capital expenditures greater than US$100 million.

A Risk Assessment and Assurance Group has also been established, independent of line management and reporting directly to the Risk Management and Audit Committee of the Board, to ensure compliance with all

WE THINK OF CUSTOMERS FIRST AND WORK BACK TO THE ASSETS, WE HAVE RE-DIRECTED OUR THINKING.

regulatory requirements and to identify and assess risk exposures within the group.

Health, Safety, Environment and Community (HSEC) governance will be managed by a professional group of employees at both the Corporate Centre and Customer Sector Group level. Oversight of the Group's Health, Safety and Environment practices and performance will be provided by an HSE Committee, which is a committee of the Board. This committee will play a key role in ensuring that BHP Billiton is a global leader in Health, Safety and Environment practices.

In a merger of this size, the relative importance of assets within the total portfolio changes. We, therefore, undertook a detailed review of all assets in the portfolio. Common criteria were used to enable assets to be ranked according to relative importance.

The growth projects in the portfolio have also been reviewed. Once the strategic framework is finalised, forthcoming growth projects will be outlined. We have a unique opportunity to effectively sequence our commitment to new growth projects, particularly in similar commodity groups. Since the DLC merger, two high-value growth projects, the Mozal aluminium smelter expansion in Mozambique and the Mount Arthur North open cut energy coal mine in Australia, have already been approved. First oil from the Typhoon field in the Gulf of Mexico commenced in July 2001. A number of other high-value growth projects are in final stages of evaluation before Board consideration.

While I am confident that we have a tremendous range of growth opportunities, financial disciplines will remain paramount. We know that shareholders want to see enhanced earnings and high returning projects and investment opportunities delivered.

We will continue to assess merger and acquisition opportunities. The strong cash flow and balance sheet of the Group, coupled with two main acquisition currencies through the dual listed companies structure, means BHP Billiton is extremely well placed to look at worthwhile acquisitions and mergers. The Corporate Finance area of the company is responsible for merger and acquisition activity. It has been strengthened by bringing together the best from Billiton Plc and BHP Limited and is already evaluating potential acquisition opportunities.

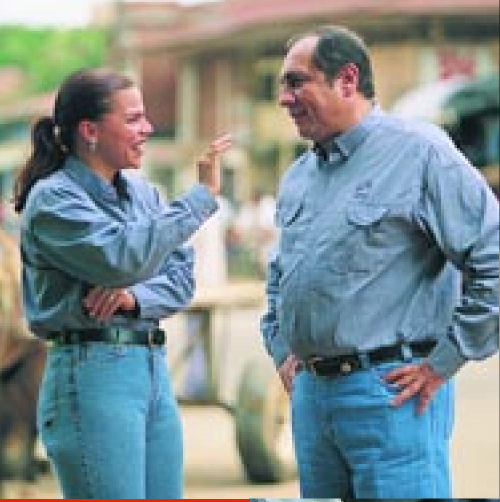
On a more personal level, I have been impressed with the process of merging two world-class management teams. There is a real sense of enthusiasm at bringing together people with different cultures, experiences and skills. The new group is drawing from the respective strengths of both former companies. Billiton brought deep country risk management and operational experience, as well as an entrepreneurial culture and many growth opportunities. BHP brought strong balance sheet management disciplines, an unremitting focus on shareholder value, and capital disciplines.
I am confident that the best attributes of both are being captured to create a different company that can thrive in any environment.

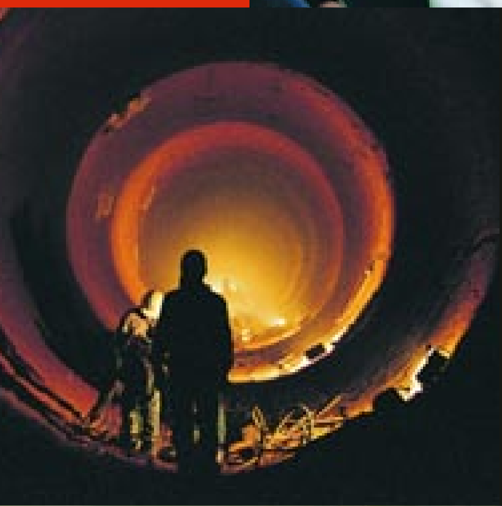
An important part of the integration process will be a 360-degree review of all senior managers early next calendar year, not to assess what they have done, but to assess how they have done it and how they have encapsulated the values of the new Group. If there are any rough edges, it will be my job to smooth away the impediments to success.

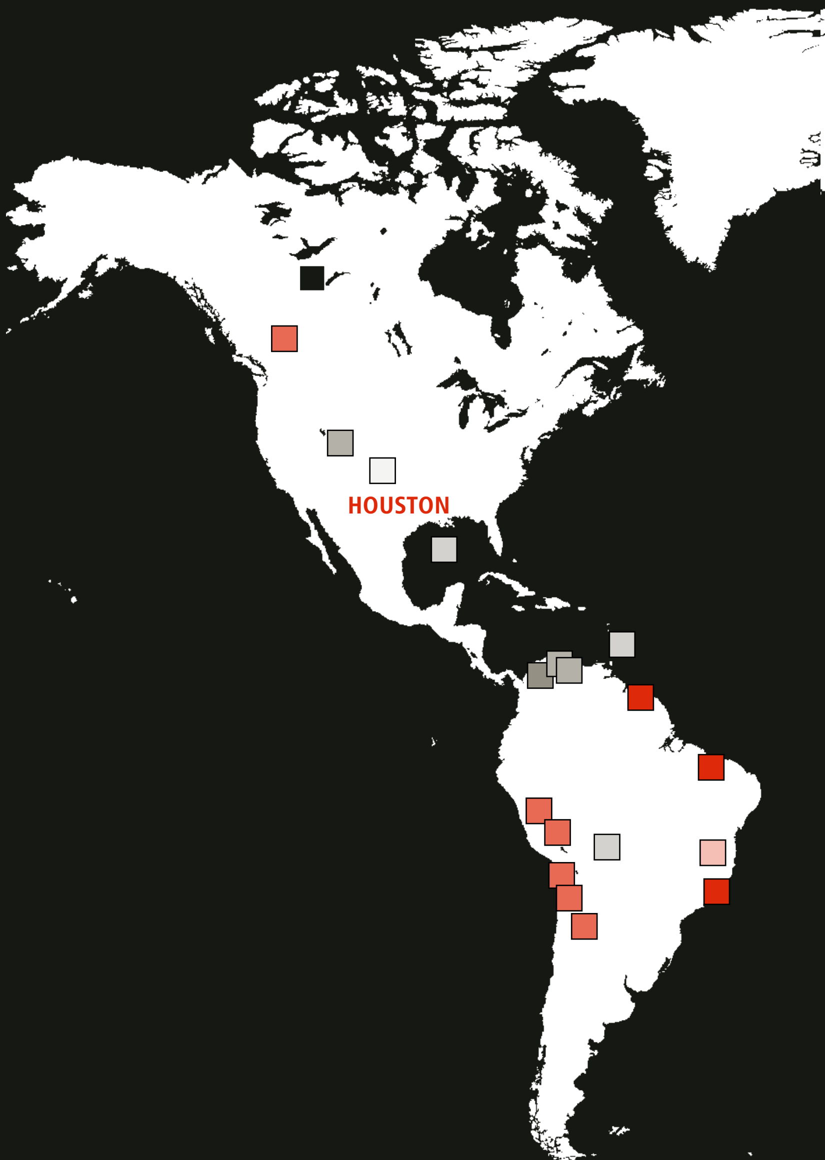
While the integration of two companies the size and diversity of Billiton Plc and BHP Limited cannot be completed within a space of 12 months, I am confident that the progress to date has been at or above the expectations of the Board and I am confident that the major priorities have been identified, and are being adequately resourced. Much remains to be done. Brian Gilbertson and I work well together. We share a commitment to capturing the immense opportunities we have to fashion a premier global Group.

I look forward to keeping you fully informed of our progress.

Paul M Anderson
CEO and Managing Director



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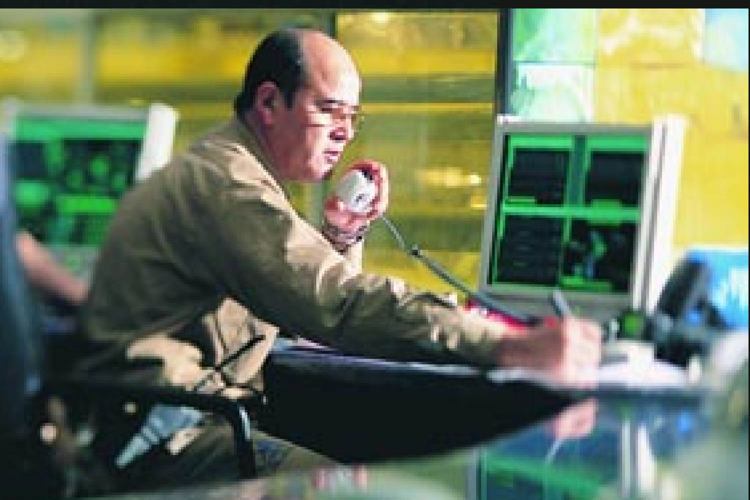
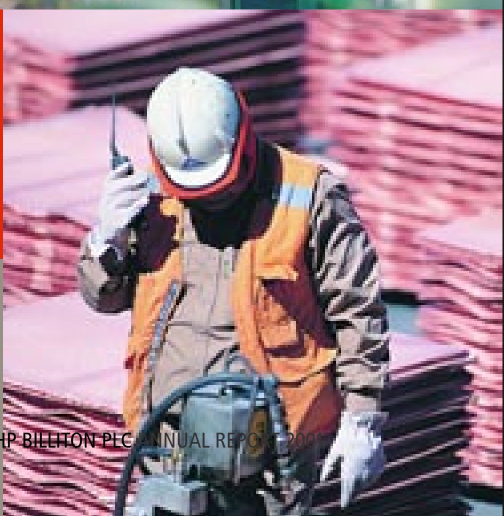
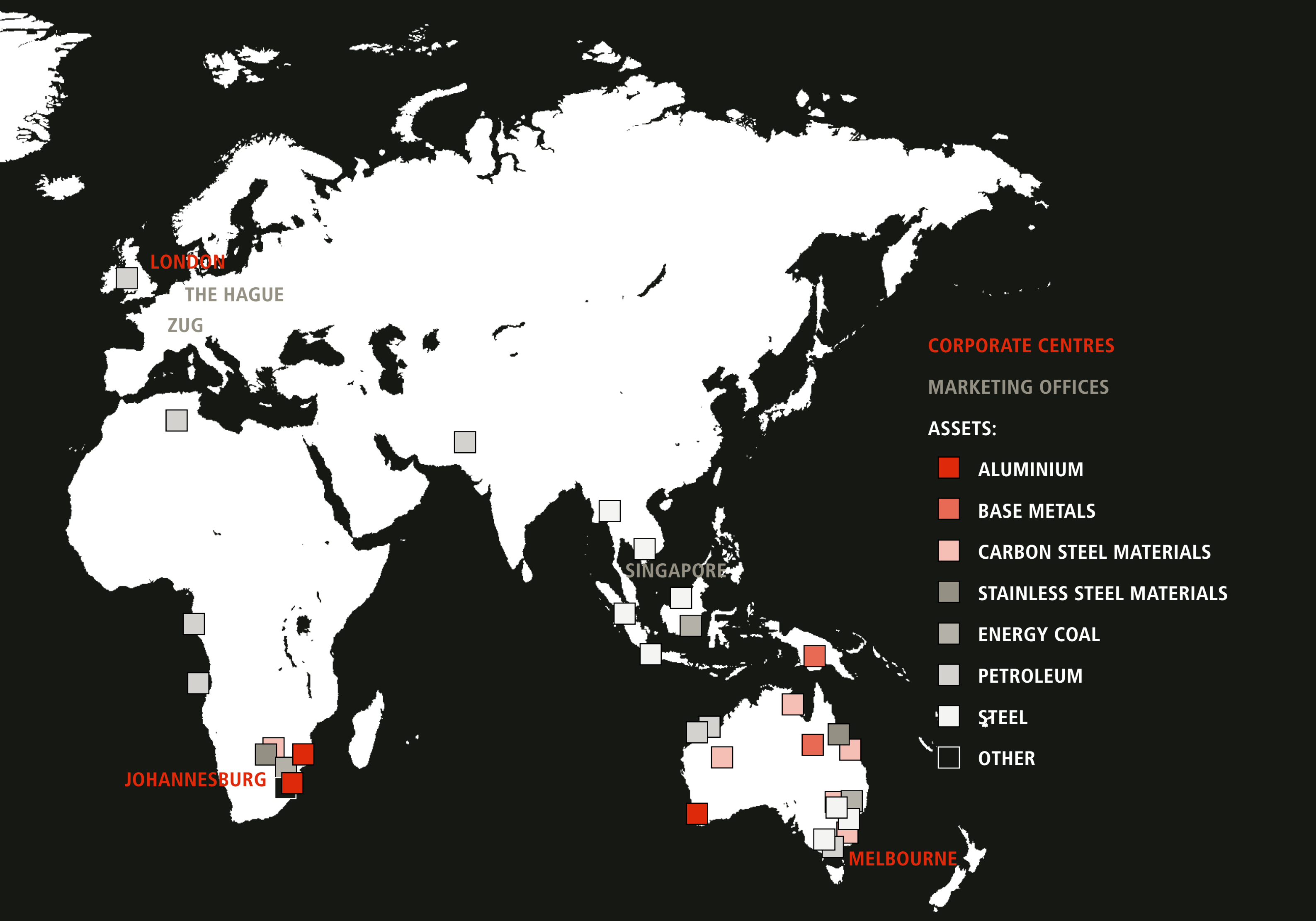




GLOBAL SPREAD OF WORLD-CLASS ASSETS

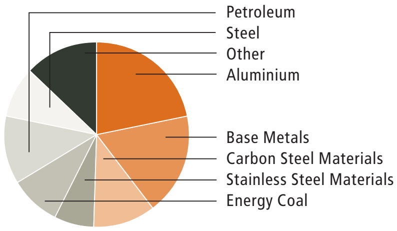
BHP Billiton has brought together some of the finest resource assets in the world, in a diverse portfolio that enables us to develop innovative solutions for customers while delivering competitive returns for shareholders. The asset portfolio will be managed globally by our Customer Sector Groups (CSGs). The composition of these CSGs is explained in the operational review that follows.



CUSTOMER SECTOR GROUPS

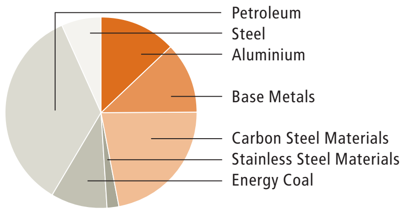
The new business model for BHP Billiton groups major operating assets into Customer Sector Groups (CSGs). This model enables BHP Billiton to identify specific customer requirements and manage business operations accordingly. Each CSG will have clear financial and operating responsibilities and will be required to deliver sector-specific growth opportunities.

	Total BHP Billiton Attributable Production	Principal Assets/BHP Billiton Ownership/FY01 Attributable Production
ALUMINIUM	**Alumina** 2.94 million tonnes **Aluminium** 984 000 tonnes	Worsley alumina refinery and bauxite mine (Australia); 86% • 1.6 million tonnes Paranam alumina refinery (Suriname); 45% • 852 000 tonnes Alumar alumina refinery (Brazil); 36% • 454 000 tonnes Hillside/Bayside aluminium smelters (South Africa); 100% • 676 000 tonnes Alumar aluminium smelter (Brazil); 46% • 172 000 tonnes Mozal aluminium smelter (Mozambique); 47% • 93 000 tonnes Valesul aluminium smelter (Brazil); 46% • 43 000 tonnes
BASE METALS	**Copper** 1 021 000 tonnes **Lead** 216 896 tonnes **Zinc** 140 174 tonnes **Gold** 766 610 ounces **Silver** 33.65 million ounces	Escondida copper (Chile); 57.5% • 500 000 tonnes copper in concentrate and cathode Tintaya copper (Peru); 100% • 88 000 tonnes copper in concentrate Alumbrera copper and gold (Argentina); 25% • 34 000 tonnes copper in concentrate • 110 468 ounces gold Highland Valley Copper (Canada); 33.6% • 45 000 tonnes copper in concentrate Cerro Colorado copper (Chile); 100% • 97 000 tonnes copper in cathode Ok Tedi copper and gold (Papua New Guinea); 52% • 216 000 tonnes copper in concentrate • 521 131 ounces gold Cannington silver/lead/zinc (Australia); 100% • 210 872 tonnes lead in concentrate • 76 122 tonnes zinc in concentrate • 31.78 million ounces silver
CARBON STEEL MATERIALS	**Iron Ore** 65.85 million tonnes **Metallurgical Coal** 37.14 million tonnes **Manganese Ores** 3.77 million tonnes **Manganese alloys** 642 000 tonnes **Hot briquetted iron** 1.046 million tonnes	Mt Newman iron ore Joint Venture (Australia); 85% • 20.95 million tonnes iron ore Yandi iron ore Joint Venture (Australia); 85% • 26.15 million tonnes iron ore CQCA and Gregory Joint Ventures (Australia); 50% • 18.96 million tonnes metallurgical coal BHP Mitsui Coal (Australia); 80% • 5.13 million tonnes metallurgical coal Illawarra (Australia); 100% • 6.57 million tonnes metallurgical coal Samancor Manganese (South Africa) 60% • 2.16 million tonnes manganese ore • 397 000 tonnes manganese alloys

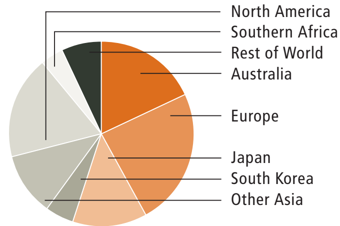


NET OPERATING ASSETS BY CSG
At 30 June 2001

Other - includes Exploration, technology and new business; Other activities; Group and unallocated



EBIT BY CSG
(excluding exceptionals FY'01)
At 30 June 2001



TURNOVER BY GEOGRAPHICAL MARKET
At 30 June 2001

Growth Opportunities/BHP Billiton Ownership/Share of Production	Financials 2001 US$ m
Hillside III aluminium smelter expansion (South Africa); 100% • Incremental: 130 000 tonnes per annum Mozal II aluminium smelter expansion (Mozambique); 47% • Incremental: 120 000 tonnes per annum • Completion – FY04	Turnover: 2 971 EBIT, excluding exceptional items: 523 Capital and investment expenditure: 1 635 Net operating assets: 4 730
Escondida Phase IV copper expansion (Chile); 57.5% • Incremental 230 000 tonnes copper in concentrate per annum (average) • Completion – FY03 Tintaya oxide development (Peru); 100% • Incremental: 34 000 tonnes copper in cathode per annum • Completion – FY02 Antamina copper/zinc project (Peru); 33.8% • Incremental: 100 000 tonnes copper per annum, 80 000 tonnes zinc per annum • Completion – FY02 Cerro Colorado debottlenecking (Chile); 100% • Incremental: 15 000 tonnes copper in cathode per annum Escondida Norte development (Chile); 57.5% • Incremental: 63 250 tonnes per annum Spence Development (Chile); 100% • Incremental: 160 000 tonnes copper in cathode per annum	Turnover: 2 231 EBIT, excluding exceptional items: 485 Capital and investment expenditure: 2 127 Net operating assets: 3 834
Blackwater mine expansion project – (Australia); 50% • Incremental: 2.5 million tonnes metallurgical coal per annum • Completion FY02 Mining Area C – Iron Ore (Australia); 85% • 13 million tonnes per annum • Completion – FY04	Turnover: 3 369 EBIT, excluding exceptional items: 894 Capital and investment expenditure: 429 Net operating assets: 2 289

CUSTOMER SECTOR GROUPS CONTINUED

	Total BHP Billiton Attributable Production	Principal Assets/BHP Billiton Ownership/FYO1 Attributable Production
STAINLESS STEEL MATERIALS	**Nickel** 60 800 tonnes **Chrome Ores** 3.16 million tonnes **Chrome alloys** 908 000 tonnes	Cerro Matoso (Colombia); 99.8% • 31 800 tonnes nickel Yabulu nickel refinery (Australia); 100% • 29 000 tonnes nickel Samancor chrome (South Africa); 60% • 3.16 million tonnes chrome ores • 908 000 tonnes chrome alloys
ENERGY COAL	**Thermal Coal** 92.9 million tonnes	Ingwe (South Africa); 100% • 61.3 million tonnes New Mexico (United States); 100% • 14.92 million tonnes Kalimantan (Indonesia); 80% • 8.5 million tonnes Hunter Valley (Australia) • 5.3 million tonnes; 100% CdelC and CZN(Colombia); 16% – 33% • 2.8 million tonnes
PETROLEUM	**Crude Oil & Condensate** 79 million barrels **Natural Gas** 261.83 billion cubic feet **LPG** 674 000 tonnes	Bass Strait – Oil & Gas (Australia); 50% • 29 million barrels of oil • 96 billion cubic feet of gas • 454 000 tonnes of LPG North West Shelf – LNG & Liquids (Australia); 16.67% interest in the LNG phase • 12 million barrels of liquids • 13.5 billion cubic feet of domestic gas • 56.7 billion cubic feet of gas (LNG) • 124 000 tonnes of LPG Laminaria - Oil (Australia); 33% • 15 million barrels of oil Liverpool Bay - Oil & Gas (United Kingdom); 46.1% • 8.7 million barrels of oil • 35 billion cubic feet of gas Griffin - Oil & Gas (Australia); 45% • 7.1 million barrels of oil • 3.1 billion cubic feet of gas
STEEL	**Raw Steel** 5.4 million tonnes	Port Kembla Steelworks (Australia); 100% • 4.8 million tonnes of raw steel New Zealand Steel (New Zealand); 100% • 602 000 tonnes of raw steel Coated Steel (Australia); 100% • 1.9 million tonnes of rolled and coated products Coated Steel (Asia) • 338 000 tonnes of rolled and coated products
OTHER		EKATI™ – Diamonds (Canada); 51% • 1.428 million carats Richards Bay Minerals – Titanium minerals (South Africa); 50%

Growth Opportunities/BHP Billiton Ownership/Share of Production	Financials 2001 US$ m
Yabulu expansion, (Australia); 100% • 30-35 000 tonnes (additional throughput) per annum	Turnover: 838 EBIT, excluding exceptional items: 79 Capital and investment expenditure: 212 Net operating assets: 1 598
San Juan Underground (New Mexico, USA); 100% • Production: 6.5 million short tons (replacement) per annum • Completion – FY03 Mount Arthur North (Australia); 100% • Total production: 12.1 million tonnes of saleable coal per annum • Production start date – 2003 Carbones del Cerrejon (Colombia); 33% • Production: Expansion of capacity from 3 to 9-10 million tonnes coal per annum • Production start date – 2005	Turnover: 1 982 EBIT, excluding exceptional items: 382 Capital and investment expenditure: 545 Net operating assets: 1 986
Ohanet wet gas field development (Algeria); 45% • Estimated Peak Production: 58 000 barrels per day (gross) • Production start date – 2003 Laminaria Phase II Oil development (Australia); 33% • 65,000 barrels (gross) of incremental oil production • Production start date – mid 2002 North West Shelf LNG & Liquids expansion (Australia); 16.67% • Total production capacity: 4.2 million tonnes (gross) of LNG per annum • Production start date – mid 2004 Echo Yodel Condensate & Gas Production (Australia); 16.67% • Production: 5000 barrels per day • Production start date – Fourth Quarter 2001 ROD Integrated Oil Field Development (Algeria); 17.3% (of total project reserves) • Estimated peak production: 80 000 barrels per day (gross) • Production start date – First Quarter 2003 Typhoon Oil & Gas Field Development, Gulf of Mexico (USA); 50% • Total production: 40 000 bopd & 60 mmscfd (gross) • Production start date – Third Quarter 2001 Zamzama Gas Field Extended Well Test (Pakistan); 47.5% • Total production: 70 mmscfd (million standard cubic feet per day gross) 37.5% EWT Phase Equity • Production start date – March 2001	Turnover: 3 361 EBIT, excluding exceptional items: 1 407 Capital and investment expenditure: 459 Net operating assets: 2 504
• Growth in BHP Steel Asia through market expansion and sustained improvements in operational performance • Implemented e-business initiatives including agreement with e-Steel corporation to form a customised steel e-commerce network • Launched the on-line steel market place www.bhpsteelconnect.com	Turnover: 3 760 EBIT, excluding exceptional items: 270 Capital and investment expenditure: 69 Net operating assets: 1 965
Dia Met acquisition	

ALUMINIUM DAVID MUNRO PRESIDENT

"OUR OUTSTANDING PORTFOLIO GIVES US A POWERFUL BASE FROM WHICH TO CONTINUE ON OUR VALUE-CREATING GROWTH PATH."

Customer Sector Overview

BHP Billiton Aluminium is active in every stage of the primary aluminium production process: bauxite mining, alumina refining and aluminium smelting. We are one of the world's major producers of alumina and aluminium, with our principal assets located in Australia, Brazil, Mozambique, South Africa and Suriname.

Approximately half of our current alumina capacity of just over 4 million tonnes per annum covers the requirements of our own smelters, with substantial tonnages being available for sale to third parties. The smelters, with just over 1 million tonnes per annum current capacity, principally produce ingots for international markets in addition to supplying value-added products (such as rod and alloy) to domestic markets in South Africa and Brazil. Both the aluminium and metal capacities make us one of the largest suppliers to third-party markets.

This business is an attractive segment of the BHP Billiton portfolio due to:

- our relative low-cost position within the industry, and therefore our ability to generate substantial cash flows through the cycle;
- the potential for superior returns from exploiting brownfield expansion opportunities;
- the quality and skills of people managing and operating our assets; and
- the unique project expertise we have in constructing and commissioning smelters in southern Africa.

In a strategically important transaction completed in January 2001, BHP Billiton acquired an additional 56 per cent stake in the Worsley (Australia) alumina refinery and bauxite mine, for US$1.49 billion, bringing our interest to 86 per cent. Worsley is a large-scale, world-class asset producing 3.1 million tonnes of alumina per annum with exceptionally low operating costs. With this acquisition, we secured the alumina needed to underpin our smelter expansion opportunities in Africa.

Construction of the US$1.2 billion (100% terms) Mozal smelter in Mozambique was completed ahead of schedule and below budget in June 2000 and achieved its design capacity of 253 000 tonnes per annum in December 2000. Expansion of the smelter, in which BHP Billiton holds a 47 per cent interest, has been approved. This will double capacity at a construction cost of US$860 million (100% terms). Construction commenced during June 2001 and commissioning is scheduled for early calendar 2004.

During the year, aluminium demand declined reflecting the global economic slowdown but the anticipated price impact was moderated by unforeseen smelter production curtailments in the United States, Canada, Brazil and New Zealand due to constrained availability of competitive power. With the resulting drop in demand for feedstock and the commissioning of several refinery expansion projects, the alumina market moved into surplus during the second half of the year, with consequential price weakness.

Restructuring and consolidation of the industry has continued, bringing greater efficiency in operations, lower costs and greater focus on developing new applications for aluminium, particularly

ALUMINIUM

	2001	2000	Variance (%)
EBIT (US$million) including exceptionals	576	438	32
EBIT (US$million) excluding exceptionals	523	438	19
Alumina (net '000 tonnes)	2 938	1 878	56
Aluminium (net '000 tonnes)	984	883	11
Average LME Aluminium (cash US$/tonne)	1 539	1 516	1.5

HIGHLIGHTS

We own some of the lowest cost alumina and aluminium production units in the world.

In January 2001, we acquired an additional 56% stake in the newly expanded Worsley alumina refinery.

The recently constructed Mozal smelter achieved design capacity in December 2000 and is performing well.

Hillside increased production by 4 000 tonnes despite an accelerated pot relining program.

EBIT excluding exceptional items was $523 million, a 19% improvement on last year.

in transportation. This improving industry structure should bring benefits to both customers and shareholders.

2001 in Review

Financial

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$523 million, a 19 per cent (US$85 million) increase on last financial year. The increase in earnings was due largely to higher volumes from the additional interests in Worsley and Mozal, and the impact of favourable exchange rates for the Australian dollar, South African rand and Brazilian real. These gains were partially offset by increased costs for an accelerated pot relining program at Hillside and an increase in costs linked to product pricing. The result, including exceptionals, included a US$61 million profit from the sale of expansion rights at Mozal.

Operational

Aluminium smelters produced 984 000 tonnes, compared with 883 000 tonnes last year. The newly commissioned Mozal smelter contributed 93 000 tonnes. During the same period, alumina output rose by 1.1 million tonnes to 2.9 million tonnes. Of that amount, 1.6 million tonnes was attributable to Worsley, with the additional 56 per cent stake purchased in January contributing 720 000 tonnes.

Average aluminium unit cash costs rose 3 per cent over last year as a result of the one-off start-up costs of Mozal and significant pot relining costs at Hillside. Alumina unit cash costs decreased 9 per cent over the same period, principally due to lower unit cash costs at Worsley as a result of efficiencies arising from the recently completed expansion project.

The Hillside aluminium smelter increased production for the year by 4 000 tonnes to 498 000 tonnes, despite the accelerated pot relining program caused by the first-generation pots approaching the end of their normal lives. During the financial year, 273 pots were relined, compared with 119 pots the previous financial year. Some 176 pots are scheduled for relining in the next financial year, following which a period of lower relining activity will see costs decrease.

The Bayside aluminium smelter lowered its cash costs by some 5 per cent through the implementation of a wide-ranging cost reduction program that placed particular emphasis on fixed-cost reductions.

The construction of Mozal outperformed the approved budget. Preliminary production costs results are sufficiently encouraging to indicate that Mozal will set new benchmarks in aluminium smelter performance.

The Worsley alumina refinery successfully reached its design capacity of 3.1 million tonnes per annum during the second half of the financial year. Opportunities for incremental output and cost enhancements are apparent and will be pursued.

The Brazilian operations, Alumar and Valesul, performed in line with expectations.

HSEC highlights included approval to proceed with the Environmental Impact Assessment of the Hillside smelter extension, an extensive planting program as part of the mine site rehabilitation in Brazil and support of an AIDS community awareness campaign in Mozambique.

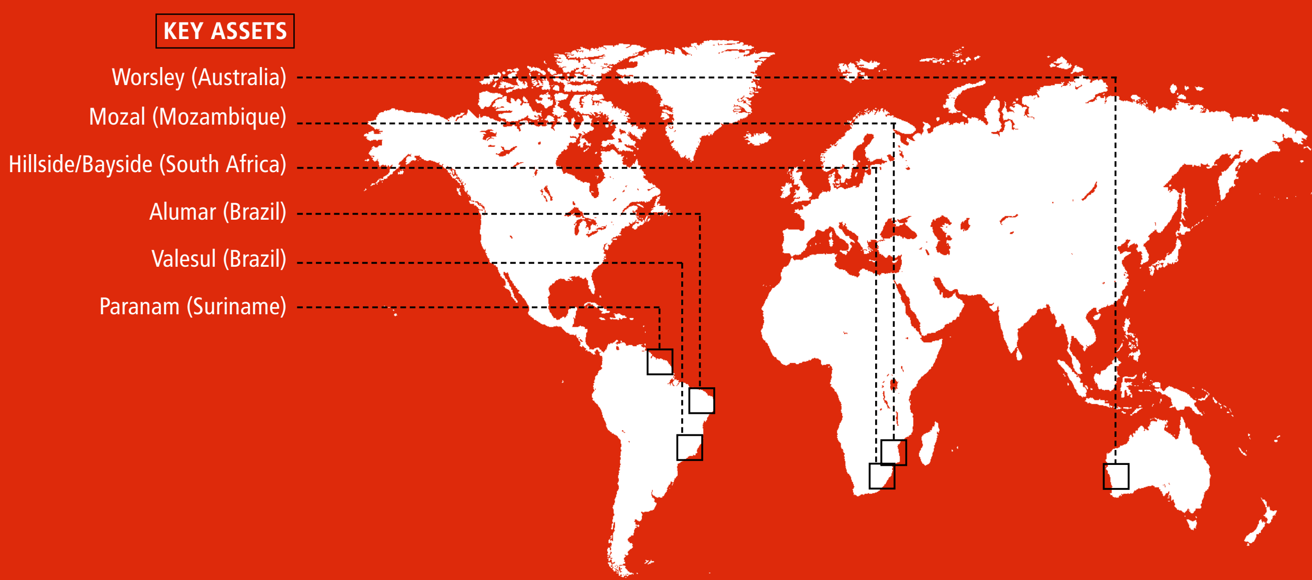
Looking Ahead

In the near term we expect the alumina and aluminium markets to remain weak. However, should there be any significant world economic recovery, it is possible that constrained metal supply will result in upward aluminium price pressure.

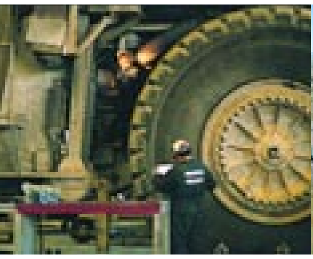
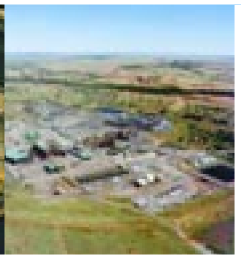
In the longer term, the aluminium business is expected to continue to grow in line with global GDP. Industry structuring will continue, with the objectives of improved cost competitivity, environmental management and the aggressive pursuit of new markets.

Consequently, our key business objectives for the current year are to:

- improve the cost position of the existing asset portfolio, including de-bottlenecking of existing capacity;
- execute the agreed expansion of Mozal and seek approval for further expansion of Hillside;
- complete OSHAS 18001 implementation and proceed towards ISO 14001 certification of our Environmental Management Systems; and
- seek value-added growth opportunities.



BASE METALS BRAD MILLS PRESIDENT

"WE HAVE EXPANSION OPPORTUNITIES SUFFICIENT TO INCREASE COPPER PRODUCTION BY UP TO 50 PER CENT OVER THE NEXT FIVE YEARS IF MARKET CONDITIONS PERMIT."

Customer Sector Overview

BHP Billiton Base Metals is one of the world's top three producers of copper and a top five producer of silver, lead and zinc.

We supply high-quality base metal concentrates to the European, Asian and South American custom smelters, and copper cathodes (metal) to copper wire manufacturers and brass mills.

We have an excellent portfolio of large, low-cost mining operations with substantial growth opportunities. The Escondida mine is the world's largest and one of the lowest-cost sources of copper. Other key copper assets include the Cerro Colorado mine in northern Chile and the Tintaya and Antamina operations in Peru. We have a number of greenfield and brownfield expansion opportunities that are sufficient to allow us to expand copper production by up to 50 per cent over the next five years, if market conditions permit.

Our Cannington mine in Australia is one of the world's largest and lowest-cost silver mines.

Beyond conventional mine development, the Base Metals group is also investing heavily in advanced bioleaching technology. While still early in its development, this technology has the potential to significantly reduce the cost of producing base metals. Producing metal directly from leaching of ores can eliminate capital-intensive, downstream processing facilities.

Our core strategy is to continue to grow our Base Metals business into the world market leader through a series of low-cost capacity expansions and further industry consolidation. Our aim is to earn the cost of capital at the bottom of the price cycle and to be a significant profit contributor to BHP Billiton in average pricing environments.

In addition to the many positive aspects of our Base Metals business, there are also some significant challenges. The current difficult global business environment has dramatically slowed the consumption of our products, putting pressure on inventories and pricing. We expect this to continue until the United States returns to an average GDP growth rate.

Beyond the business cycle, a major challenge is to successfully manage the impact of our legacy assets, such as Ok Tedi in Papua New Guinea and closed mines such as Island Copper in British Columbia and the copper mines in the southwest United States. Decision-making in regard to these properties involves striking the right balance between local economic benefits and social and environmental impacts.

HIGHLIGHTS

Escondida maintained its standing as a first quartile copper producer and construction commenced on the Phase IV development at the mine.

Production of copper, lead, zinc and gold increased due to addition of Rio Algom and improved performance at Cannington.

The current business environment is putting pressure on inventories and pricing.

The Antamina mine achieved mechanical completion. Full production is expected before December 2001.

BASE METALS

	2001	2000	Variance (%)
EBIT (US$million) including exceptionals	47	478	-90
EBIT (US$million) excluding exceptionals	485	478	1
Copper production (net, '000 tonnes) (a)	1 021	848	20
Lead production (net, tonnes)	217 000	207 000	5
Zinc production (net, tonnes)	140 174	127 008	10
Gold production (net, ounces)	766 610	589 095	30
Silver production (net, '000 ounces)	33 653	32 310	4

(a) Ok Tedi production included on a 100% basis. BHP Billiton holds a 52% equity interest in Ok Tedi

2001 in Review

Financial

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$485 million compared with US$478 million in 2000. The contribution from the Base Metals group remained largely unchanged, with production increases due to the acquisition of Rio Algom assets (Cerro Colorado, Alumbrera and Highland Valley Copper), lower treatment and refining costs at Escondida and Cannington, and the favourable $US/Kina exchange rate being offset by lower average copper, silver and zinc prices, lower Escondida production due to reduced head grades and a major mill shutdown in June 2001, and the contribution from discontinued assets in the prior period.

The loss from exceptional items was due mainly to the write-off of the Ok Tedi copper mine (US$430 million before equity minority interests).

Operational

Attributable copper production increased by 20 per cent for the year, reflecting the acquisition of the Rio Algom mines, partly offset by reduced production at Escondida.

At Escondida, production of copper concentrate was 7.2 per cent lower than last year, due to reduced head grades and a major mill shutdown in June 2001.

Cathode production was 4 per cent higher due to improved productivity and efficiency of the oxide plant, which increased annual capacity from 139 000 tonnes to 150 000 tonnes. BHP Billiton and its joint venture partners announced approval for the Escondida Phase IV expansion, which will be completed within two years and will increase ore processing facilities by 85 per cent and average net copper production by 230 000 tonnes per annum over the first five years.

Tintaya production was 1 per cent higher than last year. The Tintaya Oxide project, which will add 34 000 tonnes per annum of copper cathode from mid calendar 2002, was approved.

Ok Tedi copper concentrate production increased 16.5 per cent as a result of increased mill throughput from the mining of faster-milling monsonite ore.

The acquisition of Rio Algom in October 2000 added 78 900 tonnes of copper concentrate from Alumbrera and Highland Valley Copper and 96 730 tonnes of copper cathode from Cerro Colorado. Cerro Colorado production increased by 10 per cent compared to the equivalent nine-month period in the prior year, as a result of improved processing of heap material on the leach pads.

At Cannington, production of lead, zinc and silver increased for the period, reflecting higher output as a result of the de-bottlenecking of the mill.

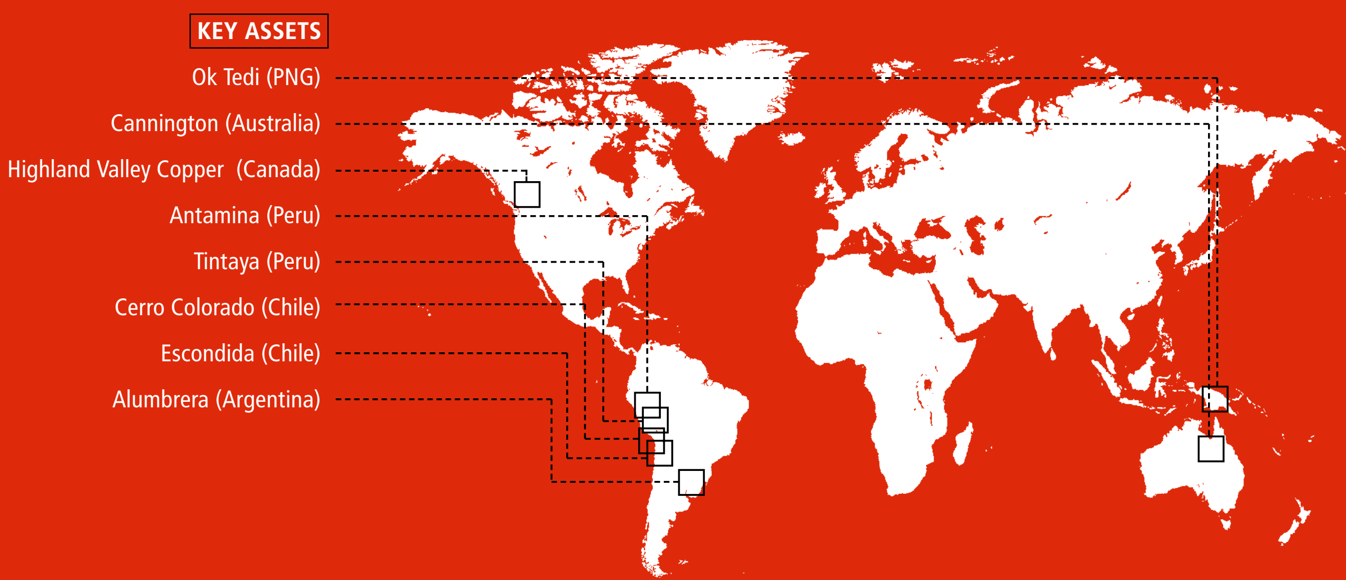
Looking Ahead

Our key business objectives for the coming year are to:

- integrate the Billiton Plc and BHP Limited management and operations into one team;
- commission the Antamina mine;
- progress the Escondida Phase IV expansion and Tintaya Oxide development;
- complete feasibility studies on the Spence and Escondida sulphide leaching projects, and complete an integrated mine plan that includes Escondida Norte.

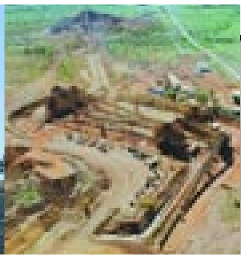
Looking forward, copper market fundamentals are more positive than negative. The industry continues to shut in production to meet the current decline in demand, thus slowing inventory build up. Once GDP growth returns to normal levels, we would expect rapid reduction in inventories and associated price increases.

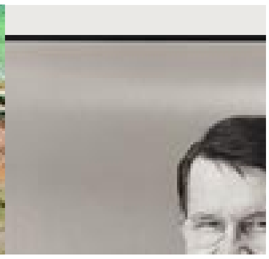
The Antamina copper/zinc project achieved mechanical completion in May 2001. It is anticipated the project will reach its full design capacity of 70 000 tonnes per day of ore before December 2001.



CARBON STEEL MATERIALS

BOB KIRKBY PRESIDENT





"OUR KEY STRENGTH LIES IN OUR ABILITY TO RESPOND IN A COMPREHENSIVE WAY TO THE INCREASING DEMANDS FACED BY OUR CUSTOMERS."

Customer Sector Overview

BHP Billiton Carbon Steel Materials is a leading supplier of core raw materials and services to the global steel industry. The key raw materials for steel-making are iron in various forms, metallurgical coal and manganese. We have significant market share in sales of these materials, being ranked number one in the world in seaborne supply of metallurgical coal and manganese and number three in iron ore. We supply global markets, including the growing Asia-Pacific region, which is geographically close to our operations in Australia and South Africa.

The group has an impressive portfolio of long-life assets, producing high-quality, low-cost products. The portfolio includes world-class mining operations – Western Australia iron ore, Queensland metallurgical coal and manganese from the Northern Territory and South Africa. These assets are in the lowest quartile of the cost curve for their respective segments. Our metallurgical coal operations in New South Wales, Australia, are cost competitive and strategically located close to the company's Port Kembla Steelworks. We also supply iron briquettes from our Hot Briquetted Iron (HBI) plant in Western Australia, manganese alloy from plants in South Africa and Tasmania, and we are a partner in Samarco, an iron pellet producer in Brazil.

During 2001 we consolidated our Queensland coal business. BHP Billiton and Mitsubishi jointly acquired QCT Resources Limited and subsequently formed a strategic alliance that has commenced integration activities in the region.

The Iron Ore group has responded to customer needs by developing a new product – Yandi Lump. Feasibility studies are underway, including a trial being undertaken with Japanese steel mills. The Mining Area C (MAC) development is proceeding, with feasibility studies under way on a 15 million tonne per annum mine development. These two new product developments are aimed at helping our customers to improve their competitive position.

Through our established knowledge of steel-making requirements we can cater to the exact requirements of our customers. Our comprehensive product range is backed by technical marketing support and logistics management, ensuring cost-effective and timely delivery.

This customer-focused approach is the cornerstone of our strategy to leverage our well-established industry position into superior financial returns for our shareholders and customers. We are committed to low-cost development and expansion of our world-class resource base, new high-value-in-use product offerings, continuing customer focus, operating excellence and strategic alliances.

CARBON STEEL MATERIALS

	2001	2000	Variance (%)
EBIT (US$million) including exceptionals	836	(157)	–
EBIT (US$million) excluding exceptionals	894	538	66
Iron Ore production (net '000 tonnes)	58 345	53 051	10
Pellets production (net '000 tonnes)	7 509	6 765	11
Metallurgical coal production ('000 tonnes) (a)	37 136	30 633	21
Manganese Ores production ('000 tonnes) (b)	3 774	3 600	5
Manganese Alloys production ('000 tonnes) (b)	642	676	-5
Hot Briquetted Iron production (net '000 tonnes)	1 046	580	80

(a) BHP Mitsui coal production shown on 100% basis before 20% outside equity interest.
(b) Shown on 100% basis. BHP Billiton interest in saleable production is 60%.

HIGHLIGHTS

EBIT excluding exceptional items was US$894 million, a 66% increase from the previous year. Operating results improved due to higher volumes and prices as well as a favourable exchange rate.

Metallurgical coal production was up 21% to 37 million tonnes following the joint acquisition of QCT Resources Limited with Mitsubishi.

Iron product shipments were a record 67.6 million tonnes, up 11%.

Iron Ore signed a Letter of Intent with Pohang Iron & Steel Co Ltd for a joint venture in a deposit of Mining Area C.

Iron Ore developed new high-value-in-use-products (Yandi Lump and MAC).

2001 in Review

Financial

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$894 million, an increase of 66% compared with the corresponding period. The underlying business results were enhanced, primarily due to improved prices, higher volumes for most products and favourable exchange movements. Additionally, all assets successfully continued their cost reduction activities. These positive activities were partly offset by the impact of industrial action at the coal operations, and by higher fuel costs. Exceptional items included the profit from the sale of interests in the CQCA and Gregory joint ventures (US$128 million) and the write-off of the investment in HBI Venezeula (total US$180 million) in this period, and the write-off of HBI Western Australia (US$695 million) in the corresponding period.

Operational

For the year ended 30 June 2001, attributable iron product shipments were 67.6 million tonnes, 11 per cent higher than last year. There were record total shipments from Western Australia of 60.6 million tonnes (previous record 53.3 million tonnes in 1998). The higher Western Australia iron ore production and shipments reflected strong market demand and better weather conditions than the previous year, including record shipments of Yandi ore.

A Federal Court decision confirming the Company's ability to offer Work Place Agreements will facilitate ongoing productivity improvements and culture change in the iron ore operations. Our share of Samarco production increased 11 per cent to 7.5 million tonnes.

The acquisition of QCT Resources in November 2000 added 5.2 million tonnes to metallurgical production. The integration of these operations is on target. Remaining Queensland coal production was 4 per cent higher at 25.4 million tonnes, with increased volumes at the Blackwater and South Walker Creek mines. Illawarra production rose 4.7 per cent to 6.6 million tonnes.

Manganese ore production was 5 per cent higher than last year, while manganese alloy production fell 5 per cent following lower demand.

The Western Australian HBI plant experienced substantial technical difficulties in the first half of the year. Following an extensive review and technical modifications, production increased during the second half. Overall annual production was 848 000 tonnes. The Orinoco HBI plant (Venezuela) was commissioned in June 2000 but experienced significant ramp-up difficulties. Our investment has subsequently been written off, with provisions made for liabilities.

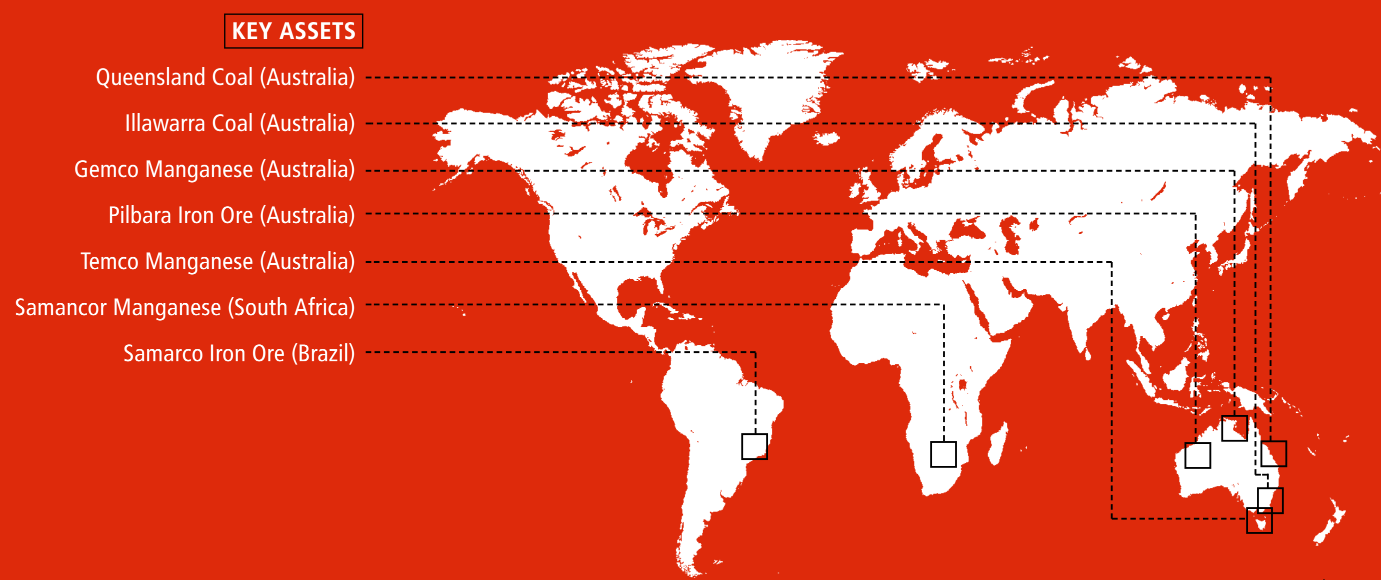
Reflecting our continued progress towards our HSEC targets, no significant environmental incidents occurred, and improvements continued to be made in safety performance.

Looking Ahead

Our key objectives for the coming year are to:

- expand high-value-in-use iron ore production through the development of Mining Area C and lump from the Yandi mine;
- expand the Blackwater and South Walker Creek coal mines in Queensland;
- develop the Dendrobium underground coal mine in New South Wales;
- continue our focus on cost reduction initiatives through the operating excellence program;
- establish a global marketing network; and
- proceed towards ISO 14001 certification at all sites.

The slowdown in global industrial production will produce challenges in the coming year, for us and our customers. However, continued economic development in China will have a significant positive impact on future demand for our products.



STAINLESS STEEL MATERIALS

CHRIS POINTON PRESIDENT

"WE AIM TO BE THE LEADING SUPPLIER OF NICKEL AND CHROME THROUGH A TRUE VALUE OFFERING TO CUSTOMERS, AND BY PURSUING CAPITAL-EFFICIENT GROWTH."

Customer Sector Overview

BHP Billiton Stainless Steel Materials is the world's fourth-largest nickel producer and the second-largest producer of ferrochrome.

We supply nickel and ferrochrome to the stainless steel industry, our principal customer. We also supply nickel, ferrochrome, chrome ores and cobalt to customers in the speciality alloy, chemicals, and refractory material industries.

Our key strengths are:

- cost-competitive existing operations;
- access to low-cost reserves;
- a unique ability to provide both nickel and ferrochrome to customers;
- industry, technological and project development expertise; and
- opportunities for incremental growth in nickel production.

Our primary nickel assets are the Cerro Matoso mine and smelter in Colombia, and the Yabulu refinery in Queensland, Australia.

Cerro Matoso is the world's largest and most competitive ferronickel producer with a high-quality ore body. The recent completion of a second production line will double capacity and ensure Cerro Matoso's long-term competitiveness.

The Yabulu refinery is a major lateritic nickel–cobalt processing plant. Future low-cost expansion will equip the refinery to process feed from new BHP Billiton laterite mine developments, further increasing our cost competitiveness.

Samancor Ltd (BHP Billiton 60 per cent) is the second-largest producer of ferrochrome, with approximately 18 per cent market share. Samancor has two mining centres and three integrated ferrochrome plants in South Africa.

We aim to be the leading supplier of nickel and chrome through a true value offering to customers, and by pursuing capital-efficient growth through expansion and participation in new developments.

In line with this strategy, the Cerro Matoso Line II construction was completed in January 2001, at a cost of just under US$300 million, three months ahead of schedule and 15 per cent below budget. Production ramp-up will continue over the next 18 months.

A feasibility study of the Ravensthorpe/Yabulu extension project commenced. The project involves construction of a new mine and pressure acid leaching plant and associated expansion of the Yabulu refinery.

Samancor Chrome began implementing a major rationalisation and production optimisation program to ensure its future competitive position.

STAINLESS STEEL MATERIALS

	2001	2000	Variance (%)
EBIT (US$million) including exceptionals	74	205	-64
EBIT (US$million) excluding exceptionals	79	205	-62
Nickel production (net '000 tonnes)	60.8	54.1	12
Chrome ores production ('000 tonnes) (a)	3 158	3 726	-15
Chrome alloys production ('000 tonnes) (a)	908	1 055	-14
Average LME Nickel (cash US$/lb)	3.28	3.75	-13
Average Charge Ferrochrome (realised, USc/lb)	33	36	-8

(a) Shown on 100% basis. BHP Billiton interest in saleable production is 60%.

HIGHLIGHTS

Demand for our nickel products remained firm despite the economic slowdown.

Samancor Chrome began implementing a major rationalisation and production optimisation program to ensure its future competitive position.

The Cerro Matoso Line II expansion was completed in January 2001 ahead of schedule and 15% below budget, while the Yabulu refinery rehabilitation program resulted in a record output of 28 960 tonnes, 15% above last year.

Safety highlights included a 22 per cent reduction in the Lost Time Injury Frequency Rate.

Demand for our nickel products remained firm despite the economic slowdown and weakening prices. The ferrochrome market, however, suffered a severe contraction as a result of cutbacks in stainless steel production, high availability of stainless steel scrap in 2000, and oversupply in the primary chrome industry. Major producers, including Samancor, responded by idling capacity, and market balance has now been largely restored.

2001 in Review

Financial

Earnings Before Interest and Tax (EBIT) were US$74 million compared with US$205 million in 2000, a reduction of 64 per cent.

In Nickel, the EBIT reduction was driven by lower nickel prices (-13 per cent), lower cobalt prices (-22 per cent) and higher energy prices. This was partly offset by increased production and lower unit costs.

The reduction in ferrochrome EBIT was due to a dramatic decline in prices and sales volumes, caused by falling world demand for stainless steel and increased use of stainless steel scrap. For Samancor, the average sales price received for chrome units in the second half of the financial year fell 28 per cent below last year's levels.

Operational

Both nickel operations achieved record production volumes (+12 per cent).

Total nickel production increased to 60 800 tonnes of contained nickel from 54 100 tonnes in the previous year. Of this, approximately 3 000 tonnes is attributable to the expansion of Cerro Matoso, with the remaining increase a consequence of the Yabulu refinery rehabilitation program that resulted in a record output of 28 960 tonnes, 15 per cent higher than last year. Significant cost efficiencies were realised at Yabulu, with unit costs reduced by 15 per cent, helped by a lower Australian dollar exchange rate.

Chrome alloy production for the year was 908 000 tonnes, a reduction of 14 per cent on the previous year and ore production was 3 158 000 tonnes, a reduction of 15 per cent. Ferrochrome unit costs were lower due to cost savings from capacity shutdown and implementation of the first phase of the restructuring program.

The Cerro Matoso SA ferronickel production facility was completed to World Bank environmental standards, and Environmental Impact Assessments were completed for the Ravensthorpe and Yabulu expansion projects. The nickel and chrome facilities participated in industry-wide studies into product life-cycle inventory.

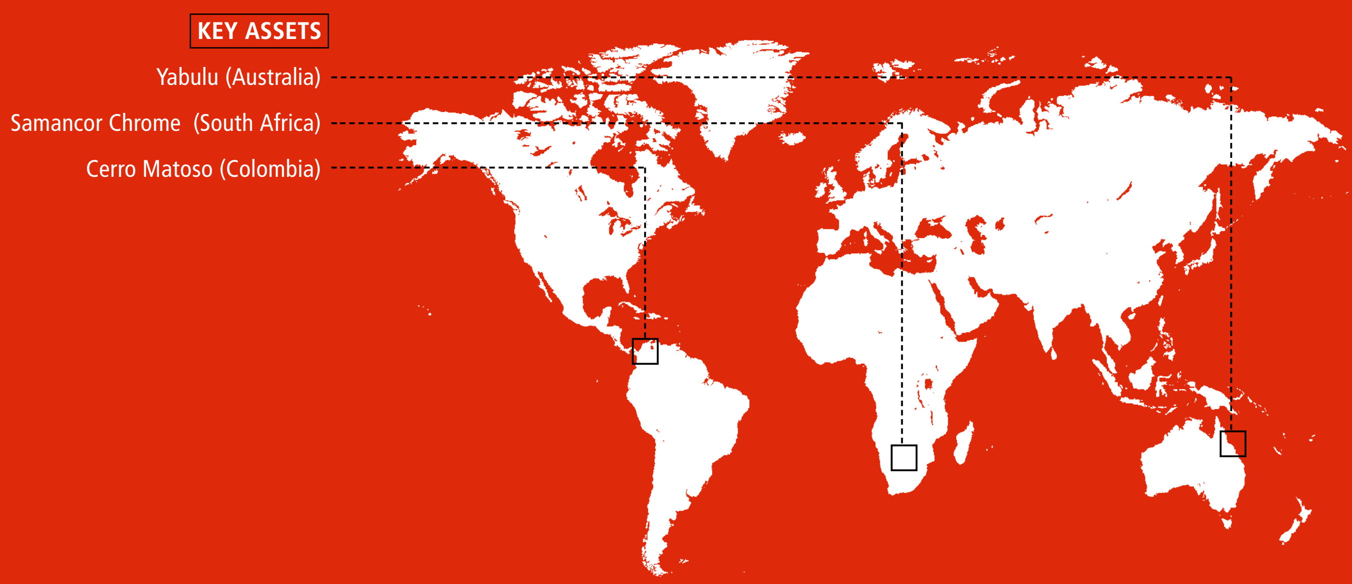
Looking Ahead

Our key business objectives for the coming year are to:

- continue to reduce unit production costs at existing operations;
- successfully ramp-up Line II at Cerro Matoso;
- progress the Ravensthorpe/Yabulu extension project study;
- commission the Wonderkop ferrochome plant expansion, in Joint Venture with Xtrata, and the Tubutse ferrochrome ore pelletising plant;
- continue the restructuring program in Samancor Chrome; and
- further develop our product offering and strengthen our customer service relationships.

Continuing depressed nickel and ferrochrome prices are expected through the first half of the financial year.

Key HSEC objectives are to complete ISO 14001 certification of Environmental Management Systems at all chrome production facilities, and OSHAS 18001 certification of the OHS Management Systems at all nickel production facilities.



ENERGY COAL MIKE OPPENHEIMER PRESIDENT



"WORLD-CLASS ASSETS AND OPERATIONS UNDERPIN OUR PERFORMANCE. MARKET INNOVATION WILL INCREASINGLY DETERMINE OUR FUTURE."

Customer Sector Overview

BHP Billiton Energy Coal is the world's largest producer and marketer of export thermal coal. We are focused on providing highly competitive energy solutions for our customers, who are primarily involved in electric power generation.

The business is structured around a portfolio of world-class producing assets, which provide a unique multi-sourcing capability to service the major power markets of Europe, Asia and the USA.

Large, low-cost mining operations, as well as favourable infrastructure positions and a global logistics capability, underpin our market competitiveness and provide a platform for future growth.

The Ingwe operation in South Africa is currently our major export producer and also supplies over 33 per cent of the coal consumed in that country's domestic power industry. Our mines in Indonesia and Australia's Hunter Valley are well positioned to supply Asian markets. The Mount Arthur North project in Australia was recently approved and is expected to contribute 12.1 million tonnes per annum of saleable coal by 2006.

Our New Mexico operations have a profitable supply niche in the Western US power market, and our ability to supply Atlantic Basin markets has been enhanced by the recent successful acquisition of production capacity in Colombia.

Energy Coal's strategy is to grow the business into the world market leader in energy coal solutions, contributing significant earnings to BHP Billiton across the full coal price cycle. We are seeking to achieve this through low-cost expansion projects, further industry consolidation and innovation in marketing.

Increasing deregulation of electric power markets is changing the buying patterns and risk management needs of our customers. We are continuing to reposition our marketing teams to offer our customers solutions that more closely match their requirements. This has also provided us with the opportunity to consider growth through market-based commercial activities, leveraging off our strong physical supply and logistics positions, while meeting the needs of our energy customers with an extended range of energy products and services.

The longer-term outlook for Energy Coal remains positive, based on demand growth in major power markets, continuing industry rationalisation and the limited range of truly low-cost expansion opportunities from major exporting regions. However, there are significant challenges. We recognise the need to manage the environmental impact of fossil fuel combustion and will be working actively with all stakeholders to promote the sustainable use of coal. Potential weakness in the global economy may limit near-term energy demand growth. Chinese export growth is also an increasingly significant market factor.

ENERGY COAL

	2001	2000	Variance (%)
EBIT (US$million) including exceptionals	348	137	154
EBIT (US$million) excluding exceptionals	382	137	179
Thermal Coal production (net, '000 tonnes)	92 866	93 902	-1

HIGHLIGHTS

Increase of 179% (to US$382 million) in annual EBIT, excluding exceptional items.

Commitment to the Mount Arthur North project in Australia and the San Juan underground project in New Mexico. Positions in two coal companies in Colombia acquired.

Substantial progress in merging the BHP and Billiton thermal coal businesses, with the new leadership team in place.

A favourable price environment is expected to continue in the near term.

2001 in Review

Financial

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$382 million compared to US$137 million in 2000, an increase of 179 per cent.

The growth was largely driven by favourable price movements and the weakening of currencies in South Africa, Australia and Indonesia against the US dollar, contributing to real cost decreases in US dollar terms.

At the end of the financial year, Free On Board (FOB) prices were between US$33 and US$35 per tonne. This is a significant increase on last year.

During the period the Group acquired a share in two Colombian coal companies, Carbones del Cerrejon (CdelC) and Cerrejon Zona Norte SA (CZN).

Operational

In South Africa, Koornfontein and Douglas performed exceptionally well following restructuring, and the envisaged productivity improvements were achieved.

The group acquired 170 million tonnes of open-cut coal reserves bordering on the Optimum colliery, which will increase the mine's life. The Boschmanskrans project at Douglas progressed well, with 3.1 million tonnes being produced from the project area in the financial year.

In Australia, the outstanding minority interest in the Bayswater operation was acquired, effective 1 January 2001. Bayswater achieved a year-on-year reduction of 5.9 per cent in operating costs in Australian dollar terms. In Colombia, volumes at both operations were above budget.

Production from the New Mexico operations (Navajo Mine and San Juan Coal Company) was above budget, and a new annual record was set at San Juan Coal Company. New Mexico mine costs were under budget for the year. The San Juan underground project was approved by the BHP Board in October 2000, and at year end the project was on schedule and within budget. In Indonesia, shipments and costs were above budget. Contract operations were successfully established at all Indonesian mines.

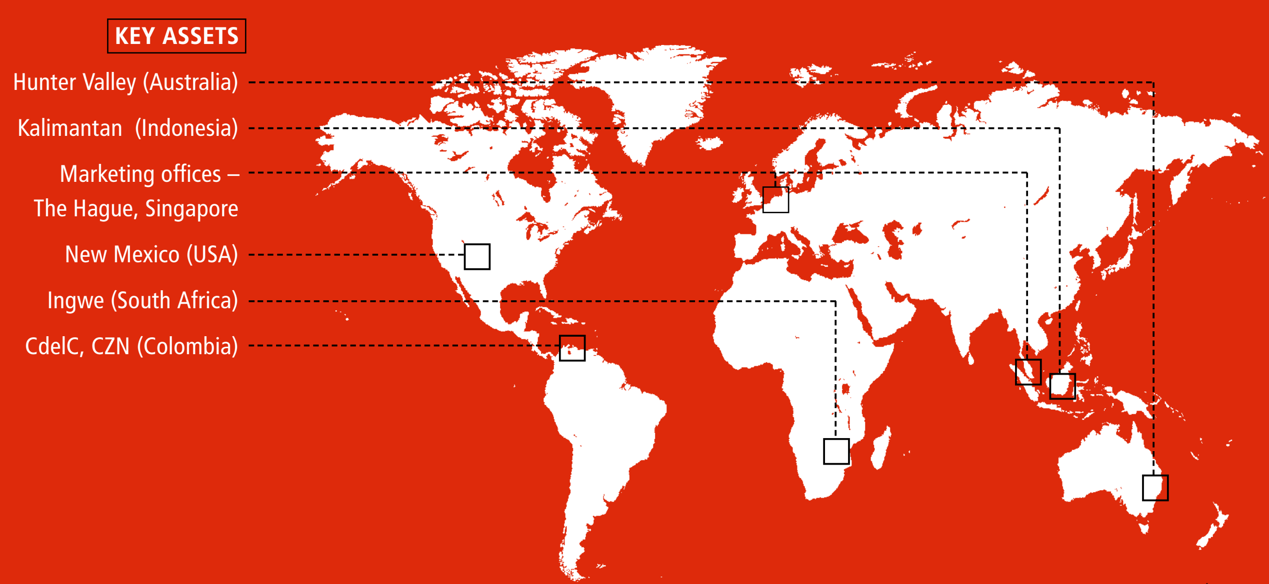
Tragically, four lives were lost in mine accidents in South Africa, placing further emphasis on the drive to improve safety standards. No significant environmental incidents occurred.

Looking Ahead

Our key business objectives for the coming year are to:

- successfully align the management, marketing and operations in our new Customer Sector Group;
- progress the Mount Arthur North project in Australia and the San Juan underground mine in New Mexico, USA;
- finalise the feasibility study for CdelC expansion in Colombia;
- complete growth opportunity assessments across all operating regions; and
- achieve material progress in new marketing initiatives.

Demand for export thermal coal remains strong in most markets and we expect the current favourable price environment to continue in the near term.



PETROLEUM PHILIP AIKEN PRESIDENT & CEO

"WE ARE NOW STARTING TO SEE THE RESULTS OF OUR FOCUSED BUSINESS STRATEGY ... AND THE FUTURE IS LOOKING VERY EXCITING."

Customer Sector Overview

BHP Billiton Petroleum is a significant oil and gas explorer and producer, with major producing assets in Australia, the United Kingdom, the Gulf of Mexico (US), Pakistan and Bolivia.

Our portfolio of high-quality, high-margin assets has strong growth potential and provides an excellent return on capital. The oil and gas business provides BHP Billiton with further commodity diversity and exposure to an industry where the growth dynamics are significant.

Australia is currently our main production base. We have a 50 per cent interest in the Bass Strait oil and gas fields in offshore southern Australia, one of the country's largest energy sources. We are also a participant in Australia's largest resources development, the North West Shelf Project in Western Australia, producing liquified natural gas (LNG), natural gas, liquified petroleum gas (LPG), condensate and crude oil. The LNG is supplied primarily to customers in Japan under long-term take-or-pay contracts and natural gas is supplied to domestic consumers in Western Australia. Our operations in the North Sea and Irish Sea, Gulf of Mexico (US) and Bolivia produce oil, gas and condensate, and we produce gas in Pakistan. Our exploration and development portfolio comprises acreage in nine countries and is centred on our strong acreage holding in the Gulf of Mexico (US).

Our strategy is designed to gain medium to long term high-value growth through the commercialisation of gas resources in Australia, Trinidad and Pakistan; the exploration and development of high-margin oil projects, primarily in deepwater areas (the Gulf of Mexico (US), West Africa and the Carnarvon Basin, offshore Western Australia); and by securing access to discovered resources in North Africa and the Middle East.

Some of our significant achievements in 2001 included sanctioning the Ohanet wet gas project in Algeria and commencing production from the Zamzama Extended Well Test in Pakistan. Construction of the Typhoon oil and gas development in the Gulf of Mexico (US) progressed, producing oil on 31 July 2001 and becoming the first of our deepwater discoveries to come onstream.

We expanded our gas marketing in eastern Australia with the commencement of Eastern Gas Pipeline sales into New South Wales and agreement to supply gas to Tasmania. We also signed a number of

PETROLEUM

	2001	2000	Variance (%)
EBIT (US$million) including exceptionals	1 407	1 142	23
EBIT (US$million) excluding exceptionals	1 407	1 061	33
Crude oil and condensate production (net, '000 barrels)	79 102	79 784	-1
Natural gas production (net, bcf)	261.83	238.63	10
LPG production (net, '000 tonnes)	673.56	681.68	-1
Ethane production (net, '000 tonnes)	67.42	79.82	-16
Average realised oil price (US$/barrel)	28.04	22.86	23

HIGHLIGHTS

Strong financial results and overall performance contributed EBIT of US$1407 million.

Contractual gas sales commenced from the Zamzama gas field in southern Pakistan.

Fourth train expansion of NWS LNG processing facilities was approved.

The Ohanet wet gas project in Algeria was approved.

Our leaseholding position in the Gulf of Mexico (US) was strengthened, along with continued success of the exploration and appraisal program.

agreements with Japanese customers for the supply of LNG, and the North West Shelf Joint Venture participants committed to a fourth LNG train expansion that will provide an additional 4.2 million tonnes per annum. During the year, we successfully completed the appraisal drilling in the Gulf of Mexico (US) at Atlantis 2 (and side track) and Mad Dog 3 appraisal wells. We also implemented or approved selected incremental brownfield projects to support existing producing assets.

2001 in review

Financial

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$1407 million compared with US$1061 million in 2000, an increase of US$346 million or 33 per cent.

Major factors driving the increase were the favourable effect of the lower exchange rate for the Australian dollar, higher prices for petroleum products, and income from the Laminaria/Corallina oil fields, which recorded their first full year of production. The increase was partly offset by lower Bass Strait oil volumes and higher exploration expenditure.

Operational

Oil and condensate production was 1 per cent lower than last year, due to natural field decline at Bass Strait, the sale of the Buffalo oil field and lower Bruce (UK) production following shut-ins for maintenance. This decrease was partly offset by higher volumes at Laminaria/Corallina in their first full year of operation, strong performance at Liverpool Bay and infill drilling at Griffin.

Gas production (excluding LNG) was 15 per cent higher, largely due to higher volumes from Bass Strait, Bruce and Griffin and the commencement of production from the Zamzama field in Pakistan.

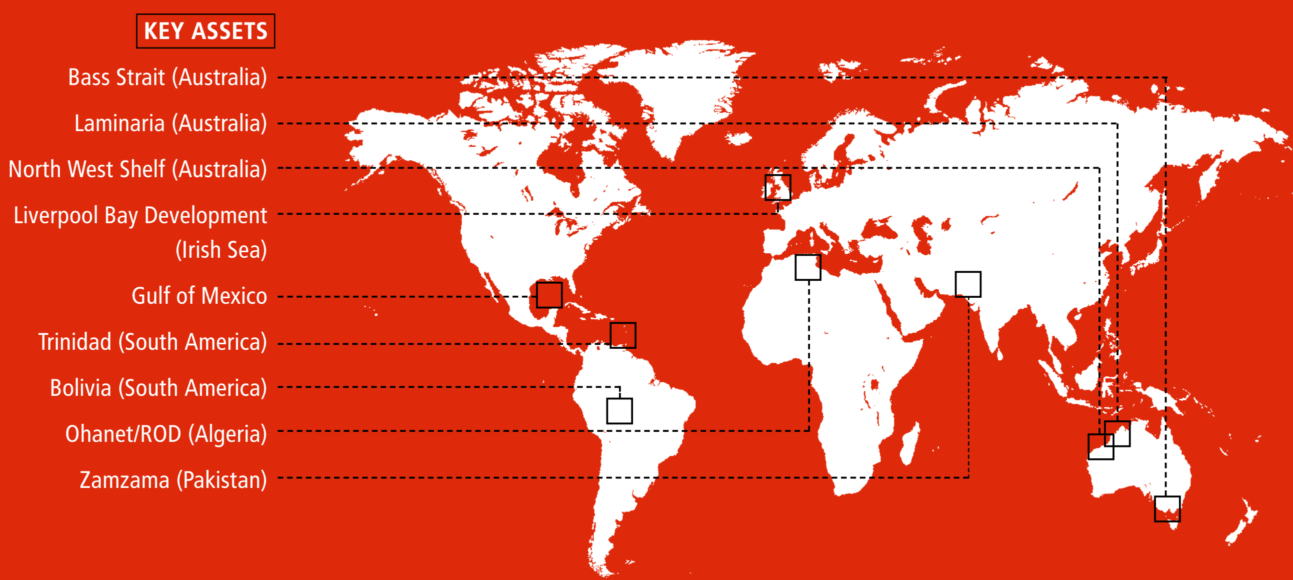
LNG production from the North West Shelf was 5 per cent lower, due mainly to planned maintenance on Train 2 and unplanned maintenance on Train 1 in October 2000.

HSEC improvements were achieved in both safety and environmental performance. The target to reduce the Lost Time Injury Frequency Rate was bettered, and no significant environmental incidents occurred. The Liverpool Bay facility received ISO 14001 certification.

Looking Ahead

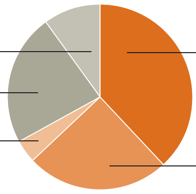
Our key business objectives for the coming year are to:

- progress the ROD oil and Ohanet wet gas project developments in Algeria, scheduled for production in 2003;
- progress commercialisation of the Mad Dog and Atlantis oil discoveries in the Gulf of Mexico (US) and continue our exploration program — we expect to sanction development of our first ultradeepwater project this year;
- further develop the gas market in Pakistan, Trinidad and south-eastern Australia, and fully develop the Zamzama gas field;
- finalise gas sales contracts with Japanese customers to underpin the North West Shelf Train 4 LNG expansion, and secure further contracts in other growing LNG markets in Asia to support a fifth train investment; and
- update our HSE Management Standards to ensure alignment with the BHP Billiton HSEC Management Standards, and then ensure compliance across all sites.



STEEL

KIRBY ADAMS PRESIDENT & CEO



Sales (tonnes) by Destination

"OVER THE PAST FIVE YEARS, BHP STEEL HAS BEEN ONE OF THE WORLD'S BETTER PERFORMING STEEL BUSINESSES."

Customer Sector Overview

BHP Steel is the leading flat products steel company in its region. We have pre-eminent positions in the Australian and New Zealand markets, are building on our established presence throughout South East Asia, and are a world leader in metallic coating and painting technologies. Our strong global brands include COLORBOND ® steel, ZINCALUME® steel and LYSAGHT®.

We manufacture and sell a wide range of steel products used in the building and construction, automotive, manufacturing, general engineering, packaging, rural and mining industries. The group is the world's largest roll former of processed steel building products.

We are a long-term supplier to core customers throughout Asia, the Americas, Europe, the Pacific and southern Africa, with a worldwide network of sales offices.

Key steel-making assets are the low-cost, global-scale Port Kembla Steelworks (Australia), BHP New Zealand Steel and North Star BHP Steel (USA). A network of metallic coating and coil painting facilities operates in Australia, New Zealand and South East Asia. These facilities are supported by a range of in-market processing and customer service centres.

Our strategy is to be a flat and coated steel products company that is:

- a superior provider of market-driven solutions and branded products, principally in Australasia and Asia;
- a strategic supplier of intermediate steel products; and
- a low-cost operator of steel assets and a manufacturer of 'fit for purpose' steel products.

In a very demanding global steel environment characterised by low prices and over-production, we once again demonstrated the underlying strength of our business by generating returns in the top quartile of the steel industry.

Our focus on cost reduction and productivity improvements continues. Over the past year, efficiency and cost programs have been accelerated, including those directed towards maintenance, energy, yields and fixed costs. Several effective capital and supply chain efficiency programs have also been implemented.

We are building our business future through:

- customer driven solutions;
- investments in leading technologies;
- continuing safety and environmental achievements moving us even closer towards our zero harm objective;
- innovative new products and services, particularly in the growing Asian market place;
- breakthroughs in logistics, supply chains and e-commerce to improve customer service, streamline delivery and lower costs; and
- long-term strategic relationships and alliances.

STEEL

	2001	2000	Variance (%)
EBIT (US$million) including exceptionals	248	249	0
EBIT (US$million) excluding exceptionals	270	402	-33
Raw steel production ('000 tonnes)	5 432	5 461	-1
Marketable products production ('000 tonnes)	5 316	4 883	9

HIGHLIGHTS

The intention to publicly list BHP Steel during fiscal year 2002 was announced.

Steel contributed US$270 million to 2001 EBIT, excluding exeptional items.

Investments in leading technologies included Castrip® in joint venture with Nucor and the A$98 million Port Kembla sinter plant emission reduction program.

Implemented e-business initiatives and the on-line steel marketplace www.bhpsteelconnect.com, placing us at the forefront of steel industry e-business.

Sydney Olympic venues showcased steel as a leading construction material for the 21st century.

OneSteel Ltd was established as a separate publicly listed company in October 2000.

2001 in review

Financial

Earnings Before Interest and Tax (EBIT) excluding exceptional items were US$270million, a decrease of 33 per cent compared with the preceding year. This decrease was largely due to significantly lower international prices and lower sales volumes of coated products to the Australian market, reflecting reduced building activity. These factors were partly offset by improved operating performance from our Asian businesses.

The favourable movement in losses from exceptional items is mainly due to the loss on sale of US West Coast Steel in the previous period.

The business experienced a difficult operating environment during the year. Sales in Australia were affected by a major downturn in the key building and construction market following the boom associated with the Sydney Olympics. Prices for globally traded steel slumped to the lowest levels experienced in 20 years, reflecting considerable overproduction by the world's steel industry, particularly in North Asia and Eastern Europe.

Operational

Total steel despatches from flat and coated operations were 5.34 million tonnes for the year, 10 per cent above the corresponding period.

Australian domestic despatches were 9 per cent higher, due to the inclusion of sales to OneSteel Limited (previously treated within the Group) partly offset by lower sales volumes of coated products. Australian export despatches were up 15 per cent, reaching record levels and accounting for 53 per cent of total Australian despatches. This record was achieved despite intensely competitive conditions in world markets.

New Zealand steel despatches were down 3 per cent, while despatches from plants outside Australia and New Zealand were up 9 per cent.

Operational performance was affected by industrial action at operations in Port Kembla and New Zealand. Performance was also affected by major planned repairs to the Port Kembla Hot Strip Mill. Sustained improvements in the operational performance of the Asian businesses were achieved during the year.

Overall, there was a 17 per cent reduction in the Lost Time Injury Frequency Rate and a 21 per cent reduction in Medical Treated Injuries. Tragically, three lives were lost in accidents, further motivating the organisation to achieve our goal of zero harm to people. No significant environmental incidents occurred.

Looking Ahead

BHP Billiton has announced its intention to publicly list BHP Steel during fiscal year 2002. This follows the spin-out of OneSteel Ltd, BHP Billiton Ltd's former long products steel business, in October 2000.

Our key business objectives for the coming year are to:

- further develop our customer solutions focus;
- build customer satisfaction and our focus on safety as we successfully carry out and manage all separation issues;
- achieve further value growth in our Asian businesses; and
- continue the drive to reduce operating costs and improve margins and supply chain efficiencies.

Despite difficult market conditions, by virtue of our low-cost position and premium product range, we are well placed to compete effectively in a challenging market environment.

Key HSEC objectives are to achieve ISO 14001 certification of Environmental Management Systems at major facilities by the end of 2002, and to involve the majority of employees in undertaking site safety audits.

BOARD OF DIRECTORS

Ben Alberts

Paul Anderson

Don Argus

Ben Alberts
Pr Eng, BSc (Eng) (Agriculture), BSc (Eng) (Mining), FSAIMM, 61

A Director of BHP Limited since January 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Risk Management and Audit Committee. A Director of Xinergistix Limited, a South African company involved in transport and logistic support to industry and Mkhunyane Ecoreserve Pty Ltd, an eco-tourism company. Former Executive Director of Iscor Limited, and Managing Director of its mining division, Iscor Mining. He is also Chairman of the Council of the University of Pretoria, South Africa's largest residential university. Ben brings to the Board his extensive international business experience and his knowledge of the resources industry. He lives in Pretoria, South Africa.

Paul Anderson
BSc (Mech Eng), MBA, 56

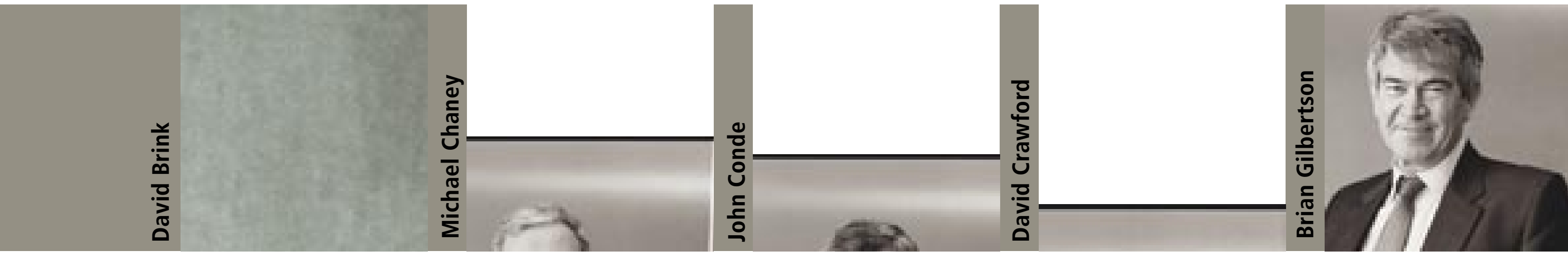
Managing Director and Chief Executive Officer of BHP Limited since December 1998 and of BHP Billiton Limited and BHP Billiton Plc since June 2001. He was previously President and Chief Operating Officer of Duke Energy Corporation, President, Chairman and Chief Executive Officer of PanEnergy Corporation, a Director of Kerr-McGee Corporation, Baker Hughes Incorporated and TEPPCO Partners, LP. He is an advisory director of Temple-Inland Inc, and of the Stanford University Graduate School of Business and a Global Counsellor for The Conference Board. His leadership skills, clarity of vision and corporate restructuring capabilities were the attributes that led to his selection as Managing Director in 1998. He lives in Melbourne, Australia.

Don Argus
AO, FAIB, FCPA, FAICD, 63

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 Nominations Committee. Former Managing Director and Chief Executive Officer of the National Australia Bank Limited. He is Chairman of Brambles Industries Limited and a Director of Southcorp Holdings Limited and the Australian Foundation Investment Company Limited. He is also a member of the International Advisory Council of Allianz Aktiengesellschaft. He is an experienced Chairman and Company Director and has considerable international business experience. He lives in Melbourne, Australia.

COMPANY SECRETARY – Karen J Wood LLB (Hons), FCIS

QUALIFICATIONS – ABBREVIATIONS: AC Companion of the Order of Australia **ACCA** Association of Chartered Certified Accountants **AO** Officer of the Order of Australia **BA** Bachelor of Arts **BE** Bachelor of Engineering **BEc** Bachelor of Economics **BSc** Bachelor of Science **CA (SA)** Chartered Accountant (South Africa) **FAIB** Fellow Australian Institute of Bankers **FAICD** Fellow Australian Institute of Company Directors **FAIM** Fellow Australian Institute of Management **FAusIMM** Fellow Australian Institute of Mining & Metallurgy **FCA** Fellow Institute of Chartered Accountants **FCIS** Fellow of Chartered Secretaries Australia **FCPA** Fellow Australian Society of Certified Practising Accountants **FIBSA** Fellow Institute of Bankers of South Africa **FIEAust** Fellow Institution of Engineers Australia **FTSE** Fellow Academy of Technological Sciences and Engineering **FSAIMM** Fellow South African Institute of Mining and Metallurgy **KCMG** Knight Commander of the Order of St Michael and St George **LLB** Bachelor of Laws **MBA** Master of Business Administration **MBL** Master in Business Leadership **MSc** Master of Science **Pr Eng** Professional Engineer



David Brink
MSc Engineering (Mining), D Com (hc), 62

A Director of Billiton Plc since July 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Health, Safety and Environment Committee and a member of the Nominations Committee. He is Chairman of Murray & Roberts Holdings Limited and Unitrans Limited and Deputy Chairman of ABSA Bank Limited and ABSA Group Limited. He is also a Director of Sanlam Limited and Sappi Limited and President of the South Africa Foundation.
An experienced mining engineer and international banker, he lives in Johannesburg, South Africa.

Michael Chaney
BSc, MBA, FAIM, FAICD, 51

A Director of BHP Limited since May 1995 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. He is the Managing Director of Wesfarmers Limited and a Director of Gresham Partners Group Limited. He is a trustee of the Committee for the Economic Development of Australia, a member of the Business Council of Australia and the Council of the National Gallery of Australia, a Director of the Centre for Independent Studies and Vice President of the Australia-Japan Business Cooperation Committee. As Chief Executive Officer of one of Australia's most successful public companies, he brings valuable executive experience and considerable financial acumen to the Board's deliberations. He lives in Perth, Australia.

John Conde
AO, BSc, BE, MBA, 53

A Director of BHP Limited since March 1995 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A Director of the BHP Billiton Superannuation Fund trustee, Haematite Pty Ltd, and a member of the Remuneration Committee. He is Chairman of Energy Australia and of Medical Benefits Fund of Australia Limited and a Director of Lumley General Insurance Limited and the Sydney Symphony Orchestra. He is a member of the Commonwealth Remuneration Tribunal. Former Chairman and Managing Director of Broadcast Investments Holdings Pty Ltd and former Chairman of Radio 2UE Sydney Pty Ltd. He is an experienced Chairman and Managing Director, active in community service and brings his broad business acumen to the Board's skills. He lives in Sydney, Australia.

David Crawford
B Comm, LLB, FCA, FCPA, 57

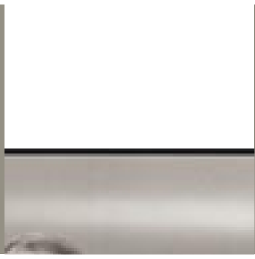
A Director of BHP Limited since May 1994 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the BHP Billiton Superannuation Fund trustee, Haematite Pty Ltd, and Chairman of the Risk Management and Audit Committee. A Director of Lend Lease Corporation Limited, Foster's Group Limited and former Australian National Chairman of KPMG, Chartered Accountants. He brings to the Board his extensive accounting experience with specialisation in corporate restructuring and turn-around of companies in financial difficulties, having acted either as a consultant, scheme manager, receiver and manager or liquidator to very large and complex groups of companies. He lives in Melbourne, Australia.

Brian Gilbertson
MSc, MBL, 58

Executive Chairman and Chief Executive of Billiton Plc since July 1997 and a Director and Deputy Chief Executive Officer of BHP Billiton Limited and BHP Billiton Plc since June 2001. A Director of the South African Reserve Bank. Former Executive Director of Johannesburg Consolidated Investment Company Limited and Executive Director and Executive Chairman of Gencor Limited. He has had an extensive career in the mining industry and management and will succeed Paul Anderson as Chief Executive Officer and Managing Director of BHP Billiton Limited and BHP Billiton Plc in calendar year 2002. He will live in Melbourne, Australia, while continuing to travel extensively to discharge his executive responsibilities.

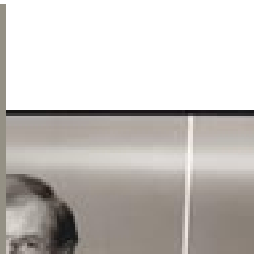
BOARD OF DIRECTORS CONTINUED

Cornelius Herkströter



John Jackson

David Jenkins



Derek Keys

Cornelius Herkströter
CA, 64

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 and Audit Committee. He is Professor of International Management at Amsterdam University, Chairman of the Supervisory Board of the ING Group and a trustee to the Board of the International Accounting Standards Committee. Former President of the Royal Dutch Petroleum Company and Chairman of the Committee of Managing Directors of the Royal Dutch/Shell group of companies. Cor brings extensive finance and business experience to the Group. He lives in Wassenaar, the Netherlands.

John Jackson
BA, LLB, 72

A Director of Billiton Plc since 1997 and senior independent Non-Executive Director of that company. A Director and Deputy Chairman of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Remuneration Committee. He is Chairman of Hilton Group Plc, Celltech Group Plc, Oxford Technology Venture Capital Trust Plc, Wyndeham Press Group Plc and Xenova Group Plc. A Director of WPP Group Plc, Brown & Jackson Plc and is non-solicitor Chairman of Mishcon de Reya. His management experience in the electronics industry and subsequent board experience with companies in a wide range of industries makes for a valuable contribution to constructive Board debate. He lives in London, United Kingdom.

David Jenkins
BA, PhD (Geology), 62

A Director of BHP Limited since March 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Health, Safety and Environment Committee. 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 Executive Technology to the British Petroleum Company. He is a Director of a Houston-based technology company, the Information Store Inc. He is a member of the Technology Advisory Committee of the Halliburton Company, the Technology Advisory Board of Landmark Graphics, the Advisory Council of Consort Resources and the Energy Advisory Council of Cambridge Management Consulting. He also chairs the Energy Advisory Panel of Science Applications International Corporation. David brings to the Board broad competencies across all facets of upstream petroleum technology and executive management. He lives in Weybridge, United Kingdom.

Derek Keys
CA(SA), FIBSA, 70

A Director of Billiton Plc since July 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Remuneration Committee. Former Executive Chairman of Gencor Limited and former South African Minister for Finance in the cabinets of de Klerk and Mandela, establishing an all-party economic policy in that country. His experience as a politician and as a businessman in a mixture of entrepreneurial, executive and advisory roles are valuable to the Board.
He lives in Johannesburg, South Africa.

COMPANY SECRETARY – Karen J Wood LLB (Hons), FCIS

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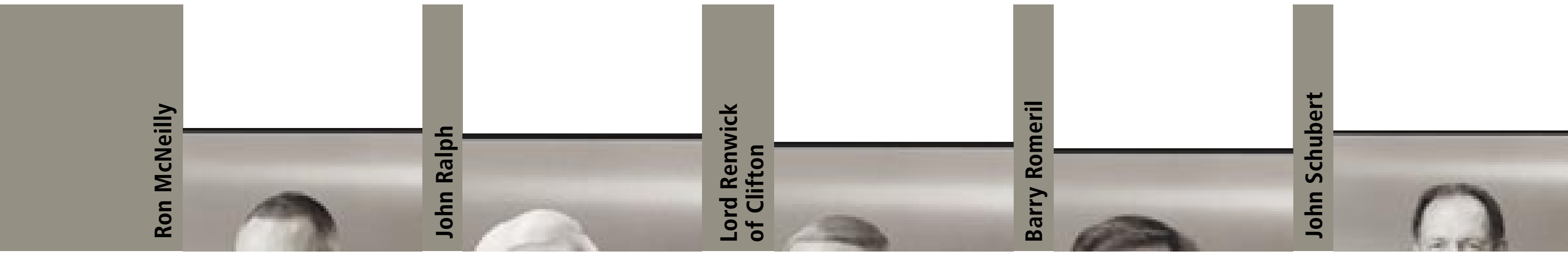


Ron McNeilly
BCom, MBA, FCPA, 58

An Executive Director of BHP Limited since July 1991 and an Executive Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. He is Executive Director, Global Markets, and has held executive positions in BHP as President BHP Minerals from January 1999 to June 2001, Chief Operating Officer from April 1998 to December 1998, Executive Director, Office of the Chief Executive, from October 1997 to March 1998, Executive General Manager and Chief Executive Officer BHP Steel from May 1991 to September 1997. He is Chairman of the Melbourne Business School Limited and a Director of the Melbourne Storm Football Club Limited, the Minerals Council of Australia and the Committee for Melbourne. He is also President of the Australia Chile Business & Investment Council and Vice President of the Australia-Japan Business Cooperation Committee. He brings to the Board his considerable management experience and knowledge of the Company's operations. He lives in Melbourne, Australia.

John Ralph
AC, FCPA, FAIM, FAICD, FAusIMM, 68

A Director of BHP Limited since November 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Remuneration Committee. Chairman of the Commonwealth Bank of Australia and Pacific Dunlop Limited and Deputy Chairman of Telstra Corporation Limited. Former Chief Executive of CRA Limited and former President of the Australian Institute of Company Directors and the Business Council of Australia. He brings to the Board's deliberations his management skills and knowledge of taxation matters and the mining industry. He lives in Melbourne, Australia.

Lord Renwick Of Clifton
KCMG, MA, 63

A Director of Billiton Plc since July 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nominations Committee. Former British Ambassador to the United States and to South Africa, he was subsequently appointed to the House of Lords by Prime Minister Blair. He is Vice Chairman, Investment Banking at J P Morgan Plc, and a Director of British Airways, Fluor Corporation, South African Breweries, Richemont and Harmony Gold, and a trustee of The Economist. Lord Renwick brings his diplomatic skills and experience and subsequent business experience to the Board. He lives in London, United Kingdom.

Barry Romeril
BA (Hons), ACCA, 57

A Director of Billiton Plc since November 1998 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Risk Management and Audit Committee. He is a Director, Vice Chairman, and Chief Financial Officer of Xerox Corporation Inc, and non-executive Director of Fuji Xerox, a joint venture between Xerox and Fuji Photo Film. Former Finance Director of British Telecommunications Plc and senior finance executive with BTR Plc and ICI Plc. Barry brings strong financial executive experience to the Board. He lives in Connecticut, USA.

John Schubert
BC Eng, PhD (Chem Eng), FIEAust, FTSE, 58

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 Nominations Committee. Deputy Chairman of the Commonwealth Bank of Australia, a Director of Qantas Limited, Hanson Plc, the Australian Graduate School of Management and the Great Barrier Reef Research Foundation. He is also non-executive Chairman of G2 Therapies Limited and of the Advisory Board of Worley Limited and President of the Business Council of Australia. Former Managing Director and Chief Executive Officer of Pioneer International Limited and former Chairman and Managing Director of Esso Australia Limited. John brings his experience in the petroleum industry and in corporate restructuring to the Board. He lives in Sydney, Australia.

EXECUTIVE COMMITTEE

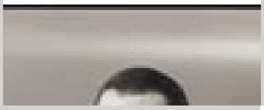
Paul Anderson

Kirby Adams

Brian Gilbertson

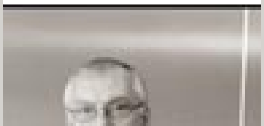
Philip Aiken

John Fast



Charles Goodyear

Miklos Salamon



Paul Anderson
CEO and Managing Director
BSc (Mech Eng), MBA, 56

Managing Director and Chief Executive Officer of BHP Limited since December 1998 and of BHP Billiton Limited and BHP Billiton Plc since June 2001. He was previously President and Chief Operating Officer of Duke Energy Corporation, President, Chairman and Chief Executive Officer of PanEnergy Corporation, a Director of Kerr-McGee Corporation, Baker Hughes Incorporated and TEPPCO Partners, LP. He is an advisory director of Temple-Inland Inc, and of the Stanford University Graduate School of Business and a Global Counsellor for The Conference Board. He lives in Melbourne, Australia.

Brian Gilbertson
Deputy CEO
MSc, MBL, 58

Executive Chairman and Chief Executive of Billiton Plc since July 1997 and a Director and Deputy Chief Executive Officer of BHP Billiton Limited and BHP Billiton Plc since June 2001. A Director of the South African Reserve Bank. Former Executive Director of Johannesburg Consolidated Investment Company Limited and Executive Director and Executive Chairman of Gencor Limited. He has had an extensive career in the mining industry and management and will succeed Paul Anderson as Chief Executive Officer and Managing Director of BHP Billiton Limited and BHP Billiton Plc in calendar year 2002. He will live in Melbourne, Australia while continuing to travel extensively to discharge his executive responsibilities.

Kirby Adams
President and CEO BHP Steel
BSc Industrial Engineering, MBA, 45

Appointed President BHP Steel in March 2000. Former President BHP Services and former Group General Manager and Chief Executive Officer BHP Service Companies. Former President and CEO Titanium Metals Corporation. He lives in Melbourne, Australia.

Philip Aiken
President and CEO Petroleum
BE (Chem), 52

Appointed President 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, Mt Eliza Business School, and the Australian Institute of Petroleum. He lives in Melbourne, Australia and London, United Kingdom.

John Fast
Chief Legal Counsel
LLB (Hons), BEc (Hons), 51

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

Charles Goodyear
Chief Development Officer and Acting Chief Financial Officer
BSc, MBA, FCPA, 43

Appointed Chief Financial Officer in 1999, he became Chief Development Officer in June 2001 and continues to act as Chief Financial Officer pending the appointment of a new Chief Financial Officer. Former President Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer Freeport-McMoRan Inc. He lives in Melbourne, Australia.

Miklos Salamon
President and CEO Minerals
BSc Mining Engineering, MBA, 46

From July 1997 to June 2001, Executive Director Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. Former Director of Gencor, Executive Chairman of Samancor and Managing Director of Trans-Natal Coal Corporation. He is Chairman of Samancor and Columbus and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. He lives in Surrey, United Kingdom; Melbourne, Australia and Johannesburg, South Africa.

COMPANY SECRETARY – Karen J Wood LLB (Hons), FCIS

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BHP BILLITON GROUP RESULTS –

FINANCIAL REVIEW

Status of financial information

On 29 June 2001, BHP Billiton Plc (previously known as Billiton Plc) and BHP Billiton Limited (previously known as BHP Limited) entered into a Dual Listed Companies (DLC) merger. This was brought into effect by contractual arrangements between the Companies and amendments to their constitutional documents.

Under UK generally accepted accounting principles (GAAP), the DLC merger is treated as a business combination because a single economic entity has been formed, even though BHP Billiton Plc and BHP Billiton Limited remain separate legal entities. The consolidated financial statements of BHP Billiton Plc therefore include BHP Billiton Limited and its subsidiary companies using the merger method of accounting in accordance with UK accounting standards.

Basis of presentation of financial information

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

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

The financial information in this section has been prepared on the same basis and using the same accounting policies as were used in preparing the financial statements for the year ended 30 June 2000, except that the BHP Billiton Group has adopted two changes to its accounting policies for deferred tax and exploration costs, principally to align policies between BHP Billiton Plc and BHP Billiton Limited.

The aggregate impact of these changes on operating profit and the tax charge on profits from ordinary activities for the year ended 30 June 2000 has been a decrease of US$7 million and an increase of US$6 million respectively from the figures previously published, resulting in profit after tax and attributable profit being decreased by US$13 million and US$11 million respectively.

The impact on the current year operating profit and charge for taxation is a decrease of US$2 million and of US$58 million respectively, resulting in attributable profit being increased by US$42 million, of which US$18 million is attributable to exceptional items.

Key Financial Information for the BHP Billiton Group

Year ended 30 June	US$m 2001	US$m 2000	% Change
Group turnover (a)	19 079	18 402	3.7
EBITDA (b)			
- excluding exceptional items	5 299	4 775	11.0
- including exceptional items	4 211	4 015	4.9
EBIT			
- excluding exceptional items	3 627	3 027	19.8
- including exceptional items	2 539	2 267	12.0
Attributable profit			
- excluding exceptional items	2 189	1 743	25.6
- including exceptional items	1 529	1 506	1.5
Basic earnings per share (cents)			
- excluding exceptional items	36.8	30.4	21.1
- including exceptional items	25.7	26.3	(2.3)
Net operating assets	21 712	20 275	7.1
EBITDA interest cover (excluding exceptional items) (c)	11.1 x	9.1 x	22.0
Gearing (net debt/[net debt + net assets])	38.4%	34.2%	12.3
Debt to equity ratio (net debt/attributable net assets)	64.6%	55.2%	17.0

(a) Including share of joint ventures and associates.

(b) Earnings before interest, tax, depreciation and amortisation.

(c) For this purpose, interest includes capitalised interest and excludes the effect of discounting on provisions.

Results for financial year 2001

Overview

The table on page 48 provides the key financial information for the BHP Billiton Group for the year ended and as at 30 June 2001, comparative with the corresponding period.

The financial results for the year ended 30 June 2001 for the BHP Billiton Group demonstrate the financial strength of the new merged group, exemplified by strong cash flow generation, earnings capability across a range of world-class business operations and underlying balance sheet strength.

Attributable profit, excluding exceptional items, for 2001 of US$2 189 million, was an increase of 26 per cent from the previous year (2000 - US$1 743 million). Higher received prices, higher production and generally favourable exchange rate movements were the principal factors influencing the improved result.

The attributable profit of US$1 529 million was influenced by a number of exceptional items, which in aggregate reduced profit before taxation by US$1 094 million and attributable profit by US$660 million.

The major exceptional items before taxation and equity minority interests included:

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

These items are partially offset by the following:

- US$128 million profit from sale of interests in the Central Queensland Coal Associates (CQCA) and Gregory Joint Ventures to Mitsubishi; and
- US$61 million profit from the sale of expansion rights at Mozal.

In the previous financial year a charge of US$695 million before tax was recorded to write-down the fixed assets of the Western Australian HBI plant following difficulties experienced with the plant process during production ramp-up, capital cost overruns and a significant deterioration in market conditions. The plant experienced substantial technical difficulties in the first half of the year. Following an extensive review and technical modifications production increased during the second half. The plant continues to operate subject to regular reviews by the Board based on strict technical and financial performance criteria relating to campaign length, productivity, maintenance turnaround and input costs. There are take or pay obligations relating to the supply of gas and utilities amounting to some US$650 million at 30 June 2001.

Customer Sector Group Financial Results

The table below provides a summary of the Customer Sector Group financial results for the year ended 30 June 2001, compared with the corresponding period.

An explanation of the major factors influencing the performance of the Customer Sector Groups is included on page 26 to page 39. An explanation of the performance of Exploration, Technology and New Business, Other activities and Group & Unallocated items is provided below.

	EBIT (excluding exceptionals)		EBIT (including exceptionals)	
(US$ million)	**Year ended 30 June 2001**	**Year ended 30 June 2000**	**Year ended 30 June 2001**	**Year ended 30 June 2000**
Aluminium	**523**	438	**576**	438
Base Metals	**485**	478	**47**	478
Carbon Steel Materials	**894**	538	**836**	(157)
Stainless Steel Materials	**79**	205	**74**	205
Energy Coal	**382**	137	**348**	137
Petroleum	**1 407**	1 061	**1 407**	1 142
Steel	**270**	402	**248**	249
Exploration, Technology & New Business	**6**	12	**(7)**	12
Other activities	**120**	125	**6**	163
Group & Unallocated Items	**(539)**	(369)	**(996)**	(400)
BHP Billiton Group	**3 627**	**3 027**	**2 539**	**2 267**

FINANCIAL REVIEW CONTINUED

Exploration, Technology And New Business

US$million	**2001**	**2000**	**Change%**	**('000 carats)**	**2001**	**2000**	**Change%**
Turnover	251	224	+12	EKATI™ diamonds production	1428	1301	+10
EBIT (incl. exceptionals)	(7)	12	Nm				
EBIT (excl. exceptionals)	6	12	(50)				
Net operating assets	869	416	+109				

The result for Exploration, Technology and New Business was an EBIT loss of US$7 million compared with an EBIT of US$12 million in the corresponding period.

Ekati™ diamond production was 10 per cent higher than the previous year due mainly to higher recoveries of lower quality diamonds.

Total exploration charged to profit across all Customer Sector Groups was US$250 million, an increase of US$34 million compared with the corresponding period of which US$75 million (2000 US$70 million) is included in this grouping.

Other Activities

The result for Other Activities was an EBIT of US$6 million for the year compared with an EBIT of US$163 million in the corresponding period.

The result for the year included an exceptional item of US$114 million (before taxation and equity minority interests) representing the write-down of the carrying value of the Columbus Joint Venture.

At Richards Bay Minerals overall titanium slag sales volumes declined slightly on the previous year reflecting a reduction in pigment production as a consequence of slowing economic activity in the United States and Europe. This, offset by marginally higher sales prices, resulted in a 2.5% decline in turnover compared to the previous year. This was more than offset by the benefits of a relatively strong zircon market as well as reduced costs principally arising from depreciation of the Rand.

Group and Unallocated Items

The result for Group and Unallocated Items was an EBIT loss of US$996 million for the year compared with an EBIT loss of US$400 million in the corresponding period.

The result for the year included exceptional items of US$457 million (before taxation) mainly related to a loss of US$340 million, representing provisions for financial obligations to banks and other provisions related to the decision to cease further investment in HBI Venezuela, and merger transaction and restructuring costs of US$114 million.

The current year also included EBIT losses of approximately US$360 million from external foreign currency hedging compared with EBIT losses of approximately US$175 million in the corresponding period. This mainly reflects the lower value of the Australian dollar relative to the US dollar for currency hedging contracts settled during the year.

Interest

Net interest and similar items payable decreased from US$489 million to US$476 million.

Taxation

The tax charge for the year was US$811 million and includes US$33 million following the decision of the High Court (Australia) on 10 August 2001 regarding non-deductibility of financing costs. This represents an effective taxation rate of 39.3%, compared to 14.1% for the previous year.

The effective rate was higher than the nominal underlying tax rates due to exceptional and one-off items in the year. Excluding exceptional items, the effective tax rate for the year was 29.9%.

Cash Flow

The following table summarises the major elements of the Group's cash flow:

Year ended 30 June	2001 US$m	2000 US$m
Adjusted EBITDA before provisions	4 537	4 808
Decrease/(increase) in working capital	240	(86)
Increase/(decrease) in provisions	28	(278)
Dividends received from joint ventures	154	127
Operating cash flow and dividends from Joint ventures	4 959	4 571
Taxation	(587)	(532)
Maintenance capital expenditure◊	(759)	(202)
Exploration	(341)	(261)
Disposals of fixed assets	339	482
Net interest payable and investment income	(485)	(628)
Dividends paid to ordinary shareholders and minorities	(801)	(395)
Available Cash Flow	2 325	3 035
Expansionary capital expenditure	(2 312)	(1 281)
Net acquisitions of businesses and investments	(2 655)	341
	(2 642)	2 095
Share issues/repurchase scheme	937	132
Foreign exchange adjustment	476	489
Other	–	7
Movement in debt	(1 229)	2 723
Net debt at start of year	(6 092)	(8 815)
Net debt at end of year	(7 321)	(6 092)

◊ *For 2000 BHP Billiton Plc Group only as analysis not available for BHP Billiton Limited Group*

Operating cash flow (including dividends from joint ventures) improved by 9 per cent to US$4959 million. After taxation, maintenance capital expenditure and exploration, fixed assets disposals, net interest and investment income, and dividends paid, the Group generated a positive available cash flow of US$2325 million.

Continuing expansion including the acquisition of a further 56% interest in the Worsley bauxite mine and alumina refinery for US$1490 million resulted in expansionary capital expenditure rising to US$2312 million.

Net acquisitions of businesses and investments amounted to US$2655 million comprising mainly of the acquisition of Rio Algom for US$1750 million (including debt), Dia Met for US$380 million and interests in CVRD and the Colombian coal business for approximately US$700 million offset by cash generated by the spin-out of OneSteel of US$344 million. Exchange adjustments reduced debt by US$476 million. Over the year, net debt increased by US$1229 million to US$7321 million at 30 June 2001.

Investment Review Committee

All capital expenditures greater than US$100 million are reviewed by the Investment Review Committee, chaired by the Chief Financial Officer. The review process includes:

- Risk identification and management
- Extent of value optimisation
- Project team composition
- Independent risk assessments
- Post-implementation reviews

Capital expenditure above US$100 million also requires Board approval.

Divestitures

Divestitures generated proceeds of US$962 million, including:

- The public listing of the OneSteel Limited to BHP Billiton Limited shareholders;
- The equalisation of ownership interests of the BHP Billiton Group and Mitsubishi in the CQCA and Gregory Joint Ventures.

BHP Billiton Group also announced its intention to publicly list its remaining Steel business. This transaction is expected to be completed by the end of financial year 2002.

Negotiations continue with relevant parties with a view to concluding the exit from the Ok Tedi copper mine.

Balance Sheet

Total assets less current liabilities for the Group were US$22 793 million at 30 June 2001, an increase of US$1 035 million from the 30 June 2000 position.

Equity shareholders' funds for the Group were US$11,340 million at 30 June 2001 largely unchanged from the previous year due to the impacts of exchange rates, write-downs and provisions. Net debt for the Group increased by 20.2% to US$7 321 million due to financing of investing activities.

As a consequence of the above, the gearing ratio increased to 38.4% compared with 34.2% for the previous year. The debt to equity ratio increased from 55.2% to 64.6%.

US GAAP Results

To assist investors, a pro-forma summary of the results and a reconciliation of shareholders' funds under United States generally accepted accounting principles (US GAAP) is included in Note 37 to the financial statements.

Under US GAAP the DLC merger is accounted for using the purchase method of accounting and the BHP Billiton Limited Group is the deemed acquirer on 29 June 2001. Under this method of accounting the consolidated results of the BHP Billiton Group would not include any results relating to the BHP Billiton Plc Group for the period to 29 June 2001 or for the previous year. In order to better illustrate the impact of the DLC merger under US GAAP, the reconciliation of UK GAAP attributable profit to US GAAP net income has been presented on the basis that the DLC merger had occurred on 1 July 1999.

Australian GAAP Accounts

To comply with Australian regulatory requirements, BHP Billiton Limited's Annual Report is prepared under Australian generally accepted accounting principles ("Australian GAAP") and is presented in Australian dollars. In 2001 Australian regulatory requirements do not allow the inclusion of the results, cash flows or assets and liabilities of the BHP Billiton Plc Group. Nonetheless, the accounts of the BHP Billiton Limited Group include a proforma Statement of Financial Position which comprises the assets and liabilities of both the BHP Billiton Limited Group and the BHP Billiton Plc Group, prepared in accordance with Australian GAAP, on an historical cost basis with no fair value adjustments and presented in Australian dollars. In summary, on this basis the shareholders' funds reflect:

A $million	**2001**
Current assets	10 997
Non-current assets	45 106
Total assets	56 103
Current liabilities	(10 739)
Non-current liabilities	(21 150)
Total liabilities	(31 889)
Net assets	24,214
Minority interests	(762)
	23 452

The principal difference between Australian GAAP and UK GAAP, reflected above, relates to goodwill prior to July 1998 not capitalised for UK GAAP.

Currency

Currency fluctuations affect the profit and loss account in two ways.

Sales are predominantly based on US dollar-pricing. However, a proportion of operating costs (particularly labour) arise in the local currency of the operations, most significantly the South African rand and the Australian dollar. Accordingly, changes in the exchange rates between these currencies and the US dollar can have a significant impact on the BHP Billiton Group's reported margin.

Certain of the BHP Billiton Group's subsidiaries maintain their accounting records in local currency, which are then translated into their functional currency (US dollars) for reporting purposes. The temporal method is used to convert their accounts from local currency to their functional currency. Fixed assets and other non-monetary assets and liabilities are converted at historical rates, and monetary assets and liabilities at the closing rate. The resultant differences are accounted for in the consolidated profit and loss account in accordance with UK GAAP. The accounts of the BHP Billiton Ltd Group's subsidiaries are prepared in a similar way using functional currencies appropriate for those companies, which include US dollars, Australian dollars and UK sterling. From 1 July 2001 a number of these companies which have sales predominantly based on US dollar pricing will adopt the US dollar as their functional currency, to reflect the fact that these businesses are now managed as US dollar-earning businesses and so a US dollar functional currency better reflects their changed economic positions.

Capital Management

At the time of announcing the BHP Group's third quarter financial results, an on-market share buyback of up to 90 million shares (approximately 5% of the BHP Limited's issued capital) was announced. Following implementation of the DLC merger, the buyback programme has been adjusted so that the number of shares to be re-purchased continues to represent approximately five per cent of issued capital. Commencement of re-purchase of shares had not occurred as at the end of the financial year.

Dividends

Total dividends for the year amounted to US$754 million, of which US$476 million related to BHP Billiton Limited and US$278 million related to BHP Billiton Plc.

The Board of BHP Billiton Plc declared a second interim dividend (in lieu of a final dividend) of US$0.08 per share that was paid to shareholders on 2 July 2001, making a total dividend for the year of US$0.12 per share.

BHP Billiton Limited paid shareholders a fully franked dividend of A$0.26 per fully paid share on 2 July 2001. This franked dividend together with the unfranked dividend of A$0.25 per share in December 2000, takes the total dividend for 2001 to A$0.51 per share on a pre-bonus share issue basis.

BHP Billiton Plc will continue to declare its dividends and other distributions in US dollars and to make payment in UK sterling to its shareholders registered in the United Kingdom and in South African rand to its shareholders registered in South Africa. The rates of exchange applicable two business days before the declaration date are used for conversion. BHP Billiton Limited will also declare its dividend and other distributions in US dollars but will continue to pay its dividends in Australian dollars or other currencies as its shareholders may elect in cases determined by the BHP Billiton Limited Board.

The level of dividend will be the same for shareholders in either company and will in future be paid at the same time.

Share price performance	BHP Billiton Plc UK pence	BHP Billiton Limited A dollars
Closing price at 30.6.01	354	10.39
Closing price at 30.6.00	269	9.22
High during period	391 (i)	11.37 (iii)
Low during period	222 (ii)	8.76 (iv)

(i) on 8 June 2001

(ii) on 18 October 2000

(iii) on 22 May 2001

(iv) on 2 August 2000

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 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.

Paul Anderson

Chief Executive Officer and Managing Director

DIRECTORS' REPORT

The Directors have pleasure in submitting their first Annual Report since the Dual Listed Companies merger (the DLC merger) with BHP Billiton Limited, including the financial statements for the year ended 30 June 2001.

Dual Listed Companies merger

The DLC merger of Billiton Plc and BHP Limited was completed on 29 June 2001. The companies both continue as separate, publicly listed entities retaining their existing stock exchange listings and index participations. The effect of the DLC merger is that BHP Billiton Plc and its subsidiaries and BHP Billiton Limited and its subsidiaries operate together as a single economic entity ("the BHP Billiton Group"), with neither assuming a dominant role. Under the arrangements:

- The shareholders of BHP Billiton Plc and BHP Billiton Limited have a common economic interest in both groups;
- The shareholders of BHP Billiton Plc and BHP Billiton Limited take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two companies effectively vote on a joint basis;
- BHP Billiton Plc and BHP Billiton Limited have a common Board of Directors, a unified management structure and joint objectives;
- Dividends and capital distributions made by the two companies will be equalised; and
- BHP Billiton Plc and BHP Billiton Limited 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.

In the case where an action by either BHP Billiton Plc or BHP Billiton Limited is proposed such that the ratio of the economic returns or voting rights in relation to Joint Electorate Actions of a BHP Billiton Plc share relative to a BHP Billiton Limited share would no longer be in proportion to the then existing Equalisation Ratio or which would benefit the holders of shares in one company relative to the holders of shares in the other company, then either a matching action shall be undertaken by such other company unless the Boards of Directors determine that it is not appropriate or practicable or if no matching action is to be undertaken, an appropriate adjustment to the Equalisation Ratio shall be made, in order to ensure that there is equitable treatment as regards the holder of one BHP Billiton Plc share and the holder of one BHP Billiton Limited share. However, if the Board of Directors determines that it is not appropriate or practicable to undertake either a matching action or adjust the Equalisation Ratio in relation to an action, then the action may be undertaken by the Board of each company only after it has been approved by the shareholders of the other company.

Principal activities and business review

BHP Billiton Plc operated solely as a holding company for the BHP Billiton Plc Group during the period. For the year to 30 June 2002, and following periods, BHP Billiton Plc will also provide services to certain group companies. Following the DLC merger the BHP Billiton Group has assembled its major operating assets into Customer Sector Groups ("CSGs"). These comprise:

- Aluminium (Aluminium, Alumina)
- Base Metals (Copper, Silver, Zinc, Lead)
- Carbon Steel Materials (Metallurgical Coal, Iron Ore, Manganese)
- Stainless Steel Materials (Chrome, Nickel)
- Energy (Steaming) Coal
- Petroleum (Oil, Gas, LNG)
- Steel.

The BHP Billiton Group's principal activities are mineral and hydrocarbon exploration and production, metals production, marketing and research and development. A summary of the Group's main activities appears at the front of this annual report.

The Directors' Report should be read in conjunction with the Chairman's Report, the CEO's Report, the Financial Review, the Customer Sector Group Reviews, the Directors' Report on Board Remuneration, and the other material in the Annual Report which includes information on the BHP Billiton Group's business, performance and future development.

Results and dividends

The consolidated profit and loss account set out on page 80 shows an attributable profit of US$1 529 million compared to US$1 506 million in 2000.

Following the completion of the DLC merger, a second interim dividend was paid by BHP Billiton Plc on 2 July 2001 in lieu of a final dividend, resulting in a total for the year of US$0.12 per ordinary share. The Directors do not recommend any further dividends for the year.

Share capital

The authorised and issued share capital of BHP Billiton Plc is set out in note 22 on page 129 of the financial statements. In September 2000 BHP Billiton Plc raised US$850 million net of costs through a placing of 235 million ordinary shares, at a price of 265p per share (representing a 3% discount to the closing price on 14 September). The placing comprised 181.1 million new shares and the whole of the 53.9 million shares held under the share repurchase scheme.

In connection with the DLC merger, the authorised share capital of BHP Billiton Plc was increased by the creation of one Special

DIRECTORS' REPORT CONTINUED

Voting Share of US$0.50 which was issued on 29 June 2001 and one Equalisation Share of US$0.50 which is unissued. The Special Voting Share was issued to facilitate the joint voting by the shareholders of BHP Billiton Plc and BHP Billiton Limited on Joint Electorate Actions. 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.

An ordinary resolution will be proposed at the forthcoming Annual General Meeting to authorise the Directors in accordance with Section 80 of the Companies Act 1985 to allot shares up to an aggregate nominal amount of US$386 million for a period that shall expire at the conclusion of the next Annual General Meeting. The Directors believe that they should have the authority proposed in the resolution to enable allotments to take place to finance business opportunities as they arise. Conditional upon the passing of this resolution, a special resolution will be proposed, subject to the approval of the Section 80 amount, which will enable the Directors to allot not more than US$58 million (nominal value) in aggregate, representing 5 per cent of the nominal value of the issued share capital for cash, without first offering the shares to existing shareholders. The Notice of Annual General Meeting, which is sent to shareholders separately with this report, also provides information on these proposed resolutions.

Details of disclosable interests in the ordinary share capital are shown on page 65 to 68. In addition, BHP Billiton Limited owns the whole of the preference share capital.

Contingent purchase contract

At the Annual General Meeting of BHP Billiton Plc held on 1 November 2000, shareholders approved the terms of a contingent purchase contract between BHP Billiton Plc and MSI investments (BVI) Limited, an indirect wholly-owned subsidiary of BHP Billiton Plc. This resolution allowed BHP Billiton Plc to put in place a structure intended to have an effect similar to market repurchases by BHP Billiton Plc of its own shares while giving the BHP Billiton Group greater flexibility in terms of the 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 Holdings Limited ("Nelson"). This represents nearly 10 per cent of BHP Billiton Plc's issued capital as at 28 August 2001. The contingent purchase contract, if entered into, will give BHP Billiton Plc the right, but not the obligation, to repurchase and cancel at any time prior to the expiry of the contingent purchase contract up to 231 million of its shares purchased and held by Nelson. Alternatively, Nelson can place the shares in the market for the benefit of the BHP Billiton Group. It is not intended that the shares would be placed in the market unless this is appropriate for the capital requirements of the BHP Billiton Group.

The authority given at the Annual General Meeting in 2000 to repurchase and cancel the shares was not used during the year. Shareholders will be requested to give a similar authority at the Annual General Meeting on 19 October 2001.

Director	Date of appointment	Date of resignation
B C Alberts	29 June 2001	-
P M Anderson*	29 June 2001	-
D R Argus	29 June 2001	-
M A Chaney	29 June 2001	-
J C Conde	29 June 2001	-
D A Crawford	29 June 2001	-
M L Davis*	-	29 June 2001
D A Jenkins	29 June 2001	-
S B Kesler*	-	5 March 2001
R J McNeilly*	29 June 2001	-
D J C Munro*	-	29 June 2001
J T Ralph	29 June 2001	-
M Salamon*	-	29 June 2001
J M Schubert	29 June 2001	-
M H Visser	-	8 December 2000

* executive directors.

DIRECTORS' REPORT CONTINUED

Corporate governance

A report on corporate governance and compliance with the provisions of the Combined Code appended to the Financial Services Authorities' Listing Rules is set out on pages 69 to 75. The Directors' Report on Board Remuneration is set out on pages 56 to 68.

Directorate

The names of current Directors of BHP Billiton Plc are set out on pages 40 to 43. Changes in the directorate during the year are set out in the previous table.

In accordance with the Articles of Association, Directors must submit themselves for re-election at least every three years. At the Annual General Meetings to be held in 2001, 2002 and 2003 those Directors appointed to the BHP Billiton Plc Board at the time of the DLC merger are deemed to have been appointed at the time that they were appointed or were last elected as directors of BHP Billiton Limited. Accordingly, Mr D R Argus, Mr D A Crawford, Mr C A J Herkströter, Mr B D Romeril and Mr J T Ralph will retire at the Annual General Meeting on 19 October 2001 and being eligible, offer themselves for re-election. In addition, in accordance with article 82.3 of the Articles of Association, Mr J B H Jackson (who is 72) and Mr D L Keys (who will be 70 at the time of the Annual General Meeting) submit themselves for re-election as Directors by special resolutions.

A statement of Directors' interests in the shares of BHP Billiton Plc is set out in the Directors' Report on Board Remuneration. Mr Gilbertson and Mr Davis have been given an option (by Chrystal Services Limited, a subsidiary of BHP Billiton Plc) to purchase the properties owned by the Group, which they currently occupy rent free, at the open market value at the time the option is exercised, at which time the provision of rental accommodation will cease. The option period will expire on 6 October 2001. Otherwise, none of the Directors has any material interest in any contract or in any arrangement entered into by BHP Billiton Plc or its subsidiaries during the year, other than service contracts.

Exploration, research and development

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

Value of land

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

Employee policies and involvement

The BHP Billiton Group's policy is to encourage effective communication and consultation between employees and management. Group companies develop their own consultative and communication procedures as part of their employment practices.

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

Creditor payment policy

When BHP Billiton Plc enters into a binding contract with a supplier, payment terms will be agreed when the contract begins and the supplier will be made aware of these terms. BHP Billiton Plc does not have a specific policy towards its suppliers and does not follow any code or standard practice. However, BHP Billiton Plc seeks to abide by the terms of the contracts to which it is bound. BHP Billiton Plc had no trade creditors at 30 June 2001.

Political and charitable donations

During the year the BHP Billiton Group made UK charitable donations of US$260 million (2000: US$378 million) and no political contributions. (2000 : Nil)

Auditors

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

Annual General Meeting

The 2001 Annual General Meeting will be held on Friday 19 October 2001 at 10:30 am at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London, SW1P. The notice convening the meeting is sent to shareholders separately with this report, together with an explanation of the items of special business to be considered at the meeting.

By order of the Board

Karen J Wood
Company Secretary

3 September 2001

DIRECTORS' REPORT ON BOARD REMUNERATION

This Remuneration report sets out the remuneration policies to be operated by the BHP Billiton Group including the principles that underpin remuneration of Executive Directors, from completion of the dual listed companies merger (the DLC merger) on 29 June 2001. It also contains a description of the policies applied by BHP Billiton Plc and BHP Billiton Limited during the year ended 30 June 2001. The report includes the remuneration earned by Directors of BHP Billiton Plc and BHP Billiton Limited in 2001 in accordance with the remuneration policies and programmes operated by each of them as independent companies. In compiling this report BHP Billiton Plc has followed the provisions of Schedule B of the Combined Code.

The Remuneration Committee

BHP Billiton Group

Following completion of the DLC merger the Remuneration Committee comprises John Jackson (Chairman), John Conde, Derek Keys and John Ralph. All members are Non-executive Directors. The Committee will support and advise the Boards by determining executive remuneration policy and remuneration of Executive Directors, by reviewing and approving the remuneration of persons who report directly to the Chief Executive Officer and Managing Director and Deputy Chief Executive Officer and all equity incentive plans and other executive benefit programs. The Group Vice President Human Resources will attend meetings of the Committee as an adviser. The Committee will also have access to external advisers as required. The Company Secretary will act as Secretary to the Committee.

BHP Billiton Plc

Prior to completion of the merger the members of the BHP Billiton Plc Remuneration Committee were John Jackson (Chairman), Lord Renwick, Matthys Visser (until his resignation as a Director on 8 December 2000) and Barry Romeril. All members were Non-Executive Directors. Derek Keys acted as a non-voting special adviser to the Committee. Brian Gilbertson attended meetings of the Committee, but was not present when his own remuneration was considered. Ian Fraser, BHP Billiton Plc's Group Human Resources Director, attended as an adviser to the Committee. The Committee had access to, and used, external advisers as required. The fees payable to Non-executive Directors were set by the Board.

BHP Billiton Limited

Prior to completion of the DLC merger, responsibility for setting the remuneration of Executive Directors and other senior executives lay with the Board of BHP Billiton Limited. Fees payable to Non-Executive Directors were determined by the Board in accordance with that company's Constitution.

1 Executive Directors' remuneration policy

BHP Billiton Group

Following the DLC merger, the Remuneration Committee will review existing share incentive arrangements and develop a new compensation program. The strategy adopted will be structured to enable the BHP Billiton Group to continue to attract, retain, and motivate high calibre employees while at the same time protecting the interests of shareholders.

The Boards and the Remuneration Committee recognise that the BHP Billiton Group operates in a global environment and consequently must be able to recruit and provide incentives to internationally mobile executive talent. The principles that underpin the new remuneration strategy will recognise the need to utilise executive talent wherever required and reward performance.

Each element of compensation will be addressed separately but within an overall context of delivering a competitive total package. The key objectives of this new package will be to:

- bind the combined executive team to the BHP Billiton Group;
- focus executives on the results of the BHP Billiton Group as a global entity;
- reward executives by reference to the BHP Billiton Group's global performance;
- facilitate the deployment of resources around the BHP Billiton Group;
- deliver rewards of equivalent net value for comparable positions globally after taking into account cost of living differentials in different countries; and
- support the delivery of outstanding returns for shareholders by aligning performance related rewards with the value delivered to shareholders.

The new BHP Billiton Group reward structure will combine:

(a) Base salaries, quantified by reference to roles, individual performance, capability and potential. Market data will be used as salary benchmarks with particular consideration given to data from international comparator companies.

(b) Short term incentive awards, made to Executive Directors and other senior executives. These awards will support the

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

achievement of specified financial and non-financial performance objectives determined by the Remuneration Committee in respect of a single financial year.

(c) Integrated long term incentive plans, consistent with existing incentive arrangements in the BHP Billiton Group and reflecting the key package objectives outlined above.

In setting the remuneration policy for Executive Directors, the BHP Billiton Group will be guided by the principles of good corporate governance, the provisions of the Combined Code (including those in Schedule A relating to the design of performance related remuneration) and the Listing Rules of the Australian Stock Exchange.

In determining the remuneration of executives, the Remuneration Committee will take account of the benefits enjoyed by former BHP Billiton Plc Group executives as a result of the early vesting of entitlements under the applicable share based incentive schemes.

The Remuneration Committee met in August and considered the short and long-term incentive plans for the year ending 30 June 2002. The Committee has approved an alignment of the existing BHP Billiton Plc and BHP Billiton Limited plans for this year. The Committee intends to finalise a new plan to operate from the 2003 financial year.

BHP Billiton Plc

The aim of BHP Billiton Plc's remuneration policy was to ensure that Executive Directors were rewarded in a way that enabled BHP Billiton Plc to attract and retain management of the highest quality who were motivated to achieve performance superior to competitors which served the best interests of shareholders. In framing its remuneration policy, BHP Billiton Plc applied the relevant principles of the Combined Code and the detailed provisions set out therein (including those in Schedule A relating to the design of performance related remuneration).

(a) Competitiveness of remuneration packages

All elements of the compensation and benefits packages for Executive Directors were reviewed against external market data in the UK and overseas with particular focus on the competitiveness of the total package. The Remuneration Committee had regard to pay and employment conditions in the BHP Billiton Plc Group and the key economies within which it operated. As well as developing executive talent internally, BHP Billiton Plc recruited Executive Directors from other international companies. To enable high calibre executives to be recruited and internal equity to be maintained, BHP Billiton Plc's executive pay policy was based on external market data. It was BHP Billiton Plc's policy to position the Executive Directors' total remuneration from the BHP Billiton Plc Group as a whole at competitive market rates in line with the companies with which BHP Billiton Plc was competing for executive talent. For Executive Directors who were well established in their roles and were performing at a level which exceeded identified performance indicators, total remuneration was positioned in the top quartile. Challenging performance criteria were used which were tied to the Executive Directors' performance and efforts rather than general market fluctuations. A significant part of the Executive Directors' remuneration was linked to the performance of the BHP Billiton Plc Group.

(b) Base salary

The Remuneration Committee set the base salary of each Executive Director by reference to individual performance and external market data.

(c) Housing

In addition to relocation expenses, a housing allowance of US$145 230 per annum for the first three years following relocation was payable to Executive Directors who had relocated to the UK to enable them to efficiently perform their world-wide duties under their service contracts. Executive Directors could be provided with living accommodation instead of all, or part of, the housing allowance at the discretion of the Remuneration Committee.

Mr Gilbertson, under his employment contract with Billiton Services Jersey Limited, occupied a flat in London rent-free for the first three years of his employment. This benefit has been extended and Mr Gilbertson has the option of purchasing the property, which is owned by the BHP Billiton Plc Group, at open market value until 6 October 2001.

Mr Davis, under his employment contract with Billiton Jersey Limited occupied accommodation in London rent free from 1 April 1999. Mr Davis has the option of purchasing the property at open market value until 6 October 2001, and has notified Chrystal Services Limited (a subsidiary of BHP Billiton Plc), the freeholder, of his intention to exercise the option.

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

(d) Other benefits

The Executive Directors were entitled to medical insurance, permanent health insurance, a US$21,785 car allowance and the use of certain BHP Billiton Plc Group facilities and benefits. The total amount of these benefits is set out in section 2.

(e) Annual performance related bonus

In addition to a base annual salary, the Executive Directors were entitled to participate in an annual bonus scheme. Under the scheme, for the year ended 30 June 2001, the Directors had a maximum target bonus of 100 per cent of base salary if personal performance objectives set by the Remuneration Committee were met. The bonus for the year for each Executive Director who was entitled to participate, which averaged 75.5 per cent of base salary, is shown in section 2.

The bonus scheme for Executive Directors was periodically reviewed to ensure that it was maintained in line with priorities and that performance conditions under the scheme continued to be relevant, stretching and designed to enhance the business.

(f) Long term incentive plans

Awards made during the year under the long-term incentive plans are detailed in section 3 below. BHP Billiton Plc operated two long-term incentive plans.

BHP Billiton Plc Restricted Share Scheme ("the Scheme"):

(i) The Scheme: BHP Billiton Plc established the Scheme which operated in conjunction with the Billiton Employee Share Ownership Trust ("the Trust"). Awards under the Scheme were made by the Trustees of the Trust or by BHP Billiton Plc. In respect of the Executive Directors, awards were made on the recommendation of the Remuneration Committee. In the case of other employees, the Remuneration Committee recommended the level of award following proposals from the Executive Committee. Awards were normally made annually in the six weeks after the announcement of the annual or interim results. All full-time employees of the BHP Billiton Plc Group were eligible to benefit under the Scheme, unless they were within two years of their normal retirement date under their contract of employment. The Scheme primarily applied to senior executives.

(ii) Making of awards: Awards took the form of conditional share awards or share options. The Remuneration Committee recommended the value of the Ordinary Shares to be comprised in an award. This value would not exceed 100 per cent of a participant's annual base salary and would not be pensionable. Awards were made subject to a performance condition ("the performance condition") recommended by the Remuneration Committee.

(iii) Vesting of awards: At the end of the period (the "performance period") to which the performance condition related, the extent to which the performance condition was satisfied was determined and a participant became absolutely entitled to the appropriate number of Ordinary Shares (if any), or where appropriate, exercised his option over the relevant number of Ordinary Shares subject to his paying to the Trust or to BHP Billiton Plc the amount of the tax liability (if any) in respect of the award. In certain circumstances, these Ordinary Shares could be transferred directly to a participant's family trust.

(iv) Employee share ownership trust: The Trust is a discretionary trust for the benefit of all employees of BHP Billiton Plc and its subsidiaries. The Trustee is a subsidiary of BHP Billiton Plc, 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 Scheme. The Ordinary Shares may be acquired by purchase in the market or by subscription at not less than nominal value. Ordinary Shares which are subscribed will rank equally with existing shares on the date of allotment and application will be made for them to be admitted to the Official List of the London Stock Exchange.

BHP Billiton Plc Co-investment Plan ("the CIP")

(i) Eligibility

All full-time employees (including Executive Directors) of the BHP Billiton Plc Group were eligible to participate in the CIP. Employees who were within two years of the date on which they are required to retire could only participate in exceptional circumstances, at the discretion of the Remuneration Committee.

(ii) Invitations to Participate and Committed Shares

Invitations to participate were made to selected employees following the approval of the CIP by shareholders.

The selected invitees were asked to indicate what proportion of their discretionary annual bonus for the current financial year they wished to invest in the CIP.

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

The Remuneration Committee prescribed minimum and maximum limits on the investment that could be made. Within those limits, part of the bonus (on a net or gross of tax basis, as appropriate) that would otherwise have been paid in cash was used to acquire ordinary shares in BHP Billiton Plc. These shares were known as Committed Shares.

The Remuneration Committee invited all Executive Directors and selected senior employees to participate in the first operation of the CIP for awards made in December 2000. Executive Directors were permitted to invest up to 100 per cent of their after tax annual bonus in the CIP.

(iii) Matching Awards

Each invitee who had acquired Committed Shares ("Participant") was also granted an award (a "Matching Award") over shares in BHP Billiton Plc. Matching Awards would normally be granted during the 42 day period commencing on the day on which BHP Billiton Plc released its results for any financial period. The Matching Award entitles the Participant to acquire a number of shares in BHP Billiton Plc for nil consideration, subject to the satisfaction of performance conditions and (normally) the continuing employment of the Participant. The Matching Award would, in normal circumstances, be exercisable two years from the date of grant in respect of the number of shares that had vested in accordance with the performance conditions. Subsequently, if unexercised prior to that time, it would have been exercisable four years from the date of grant in respect of the number of shares that had vested at that time in accordance with the performance conditions.

(iv) Special Situations

If prior to vesting of a Matching Award, a Participant ceased to be employed for any reason other than a compassionate circumstance (which included being injured or disabled and evidenced to the satisfaction of the Board), or was made redundant, or retired on reaching normal retirement age, or where a Participant's employer ceased to be a member of the BHP Billiton Plc Group, or where the business in which a Participant is employed was transferred out of the Group or any other circumstance which the Remuneration Committee determined to be a compassionate circumstance, a Participant's Committed Shares were forfeited and the related Matching Award also lapsed and ceased to be exercisable.

The BHP Billiton Plc Remuneration Committee gave extensive consideration as to how the merger would affect outstanding BHP Billiton Plc shares and awards under BHP Billiton Plc's two share incentive schemes. At the time of the merger, awards were outstanding under the Scheme from 1998, 1999 and 2000 and under the CIP from 2000.

The merger of Billiton Plc and BHP Limited could have been structured in a manner which would have triggered the automatic vesting of Scheme awards and Matching Awards and the release of CIP Shares. However, the structure that was selected (under which no such vesting was triggered) was considered by both companies to be the most appropriate way to achieve the merger from a shareholder perspective.

The BHP Billiton Plc Remuneration Committee concluded that on the merger completion date, the outstanding Scheme awards should vest in full and, under the CIP, Committed Shares should be released and Matching Awards vest in full at a multiple of 3.05 times the amount of the pre-tax bonus invested by the individual. This recommendation was agreed by shareholders at the Extraordinary General Meeting on 15 May 2001. The Trustees indicated on 29 June 2001 that the date of the vesting of awards granted under the Plans should be 20 August 2001, being the date of BHP Billiton's preliminary announcement of results for the year ended 30 June 2001.

In reaching its decision to recommend full vesting, the BHP Billiton Plc Remuneration Committee took the considered view that the choice of the merger structure should not adversely affect rewards under BHP Billiton Plc's incentive arrangements. In addition, the BHP Billiton Plc Remuneration Committee took into account BHP Billiton Plc's performance since its listing in 1997 and the management team's commitment to and record of creating shareholder value. The Committee also considered the changes in the nature and structure of the business following the merger, including the changing roles of BHP Billiton Plc personnel. The BHP Billiton Plc Remuneration Committee did not consider that the benefits available as a result of this vesting constituted, in fact or spirit, a reward for completion of the transaction.

In the case of Matching Awards held under the CIP by the most senior executives, vesting is subject to an agreement by the executive to retain approximately three quarters of the shares acquired on exercise, for 12 months, or in the case of

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

Mr Gilbertson, for three years following the DLC merger (subject to deductions to cover tax and national insurance contributions). BHP Billiton Plc has also encouraged all other participants to retain the shares which have vested as a result of the DLC merger, for a period of at least 12 months.

(g) Pension provision

BHP Billiton Plc has established non-contributory defined benefit pension arrangements under which the Executive Directors will be entitled to a pension at normal retirement date at age 60, equal to two-thirds of their base salary provided they have completed 20 years' service with the Group (which includes service with Gencor prior to separation).

Each year the Executive Directors have the right to determine whether their pension provision for that year's salary, under each service contract with a BHP Billiton Plc Group company is made under a defined benefit or a defined contribution arrangement. Alternatively, the Executive Directors can choose to receive a cash sum at equivalent cost to BHP Billiton Plc. If an Executive Director 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.

In the event of death in service, a lump sum death in service benefit of four times base salary will be paid. A spouse's pension on death in service of two-thirds of the Executive Director's prospective pension will also be paid. If prospective service to age 60 is less than 20 years the spouse's pension is reduced proportionately.

In the event of the death of an Executive Director while in retirement, a surviving spouse's pension of two-thirds of the pension in payment, before the effect of commutation, will be paid. All pensions in payment and deferred pensions will be indexed in line with the retail price index.

If an Executive Director retires early, his accrued defined benefit pension entitlement will normally be reduced for early payment at the rate of 4% per annum for each year before age 60.

Following the merger, Mr Gilbertson will accrue additional pensionable service at a rate of 1/30th of his annual salary per annum until he either leaves service or completes 30 years of pensionable service, whichever occurs first. BHP Billiton Plc may give its consent to the use of a lower rate.

No element of remuneration other than basic salary is pensionable.

(h) Service contracts

In order to accurately reflect their work and duties for the respective companies within the Group, the Executive Directors had employment contracts with a number of BHP Billiton Plc Group companies. Each Director had a different structure of contracts reflecting his respective duties. A typical example is:

(i) a contract with BHP Billiton Plc in respect of duties in relation to the BHP Billiton Plc Board; and

(ii) a contract with Billiton Services Jersey Limited, a wholly-owned subsidiary of BHP Billiton Plc, in respect of certain duties performed in relation to other activities world-wide.

Each employing Company regularly reviews the duties and responsibilities of the Executive Directors in line with that Company's business activities to ensure that they accurately reflect the nature of the duties the Executive Directors carry out for that Company. The nature of the duties will be amended (whether during the year or otherwise) to take into account any significant changes. This may also involve a change in the remuneration earned by the Executive Directors under that employment. However, any changes to the remuneration will be revised within the annual maximum limits set by the Remuneration Committee. These contracts are terminable on 12 months' notice.

If an Executive Director leaves employment within 12 months of any change of control of BHP Billiton Plc then, provided that he is not leaving voluntarily or because BHP Billiton Plc is entitled to terminate his employment for other reasons, he may elect to receive a liquidated damages payment equal to two years' basic salary. An Executive Director electing to take such a payment will be required to execute settlement documentation in a form required by BHP Billiton Plc.

BHP Billiton Limited

During the year BHP Billiton Limited has operated an executive compensation approach linked to value creation. The approach is underpinned by the Company Charter that defines the Company's purpose, business imperatives, values and vision. The underlying objective of the approach is to enable BHP Billiton Limited to attract and retain the highest calibre executive leadership team to ensure superior performance and the delivery of shareholder value.

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

The Chief Executive Officer and Managing Director is engaged on a contract, the remuneration elements of which principally involve a cash salary, performance rights to BHP Billiton Limited shares under the BHP Performance Share Plan and performance options under the BHP Employee Share Plan. The share-based elements of this package were approved at a meeting of shareholders on 26 February 1999. Details of the remuneration of the Chief Executive Officer and Managing Director are set out in section 2.

(a) Base salary

The Board of BHP Billiton Limited set the basic salary of each of the Executive Directors by reference to individual performance and external market data.

(b) Other benefits

No additional benefits are provided to Paul Anderson. Ron McNeilly is provided with health insurance and, for the year ended 30 June 2000, a car allowance of US$45 969. No car allowance was paid for the year ended 30 June 2001.

(c) Annual performance related bonus

In addition to a base salary, Executive Directors are entitled to participate in an annual incentive plan. Under the plan for the year ended 30 June 2001, Paul Anderson had a target bonus of 100 per cent and Ron McNeilly had 75 per cent of base salary tied to the achievement of pre-established performance objectives. The bonus for the year for each Executive Director is shown in section 2.

(d) Long term incentive plans

BHP Billiton Limited operated two incentive schemes in which the Executive Directors participate.

BHP Billiton Limited Performance Share Plan ("PSP")

The PSP provides for a grant of Performance Rights to eligible executives. For each grant received by an executive, the executive will receive a number of BHP Billiton Limited shares if the performance or service hurdle is achieved. The Performance Rights are effectively an option with a performance or service hurdle and a nil exercise price.

Performance Rights were issued during the year ended 30 June 2001 on the following terms:

(i) The hurdle is first measured at a nominated date (the First Hurdle Measurement Date). Performance Rights vest only if the performance hurdle is met on the First Hurdle Measurement Date, or during a nominated period (the Hurdle Measurement Period). The performance hurdle is tested monthly during the performance period.

(ii) The exercise period for each grant commences on the date the performance hurdle is achieved, and ends on a nominated expiry date. If the hurdle is not met on the First Hurdle Measurement Date nor during the Hurdle Measurement Period, then the option lapses at the end of the Hurdle Measurement Period and the Executive can exercise the performance rights at any time up to the expiry date.

(iii) The proportion of the original Performance Rights grant that vests depends upon the ranking of BHP Billiton Limited's Total Shareholder Return within a group of peer companies, comprising companies selected by BHP Billiton Limited as international competitors.

(iv) If an executive leaves employment and their Performance Rights are exercisable at the date they leave, the Performance Rights will not lapse until six months after leaving employment. However, non-exercisable Performance Rights will lapse at the date of leaving in the case of resignation or termination for cause. In all other cases, entitlement to Performance Rights which are not exercisable at the date of leaving continues on a pro rata basis subject to performance hurdles until six months after the end of the first Hurdle Measurement Date, when they lapse.

BHP Billiton Limited Employee Share Plan ("ESP")

The ESP provides for a grant of options to eligible employees. For each grant received by an executive, the executive can, subject to the achievement of performance hurdles, purchase a number of BHP Billiton Limited shares at a fixed exercise price during the exercise period for that grant.

Options were issued during the year ended 30 June 2001 on the following terms:

(i) The hurdle is first measured at a nominated date (the First Hurdle Measurement Date). Options vest only if the performance hurdle is met on a nominated measurement date (the First Hurdle Measurement Date), or during a nominated period (the Hurdle Measurement Period). The performance hurdle is tested monthly during the performance period.

(ii) The exercise period for each grant commences on the date the performance hurdle is achieved, and ends on the nominated expiry date. If the hurdle is not met on the First Hurdle Measurement Date nor during the Hurdle Measurement Period,

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

the option lapses at the end of the Hurdle Measurement Period and the executive can exercise the options any time up to their expiry date.

(iii) If an executive leaves employment and their options are exercisable at the date they leave, the options will not lapse until six months after leaving employment. However, non-exercisable options will lapse at the date of leaving in the case of resignation or termination for cause. In all other cases, entitlement to options which are not exercisable at the date of leaving continues on a pro rata basis subject to performance hurdles until six months after the end of the first Hurdle Measurement Date, when they lapse.

(e) Pension provision

Paul Anderson does not participate in a BHP Billiton Limited pension scheme.

BHP Billiton Limited has established the BHP Superannuation Fund of which Ron McNeilly is a non-contributory member.

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

If a member retires after the age of 60 it is possible to opt for a pension benefit instead of a lump sum benefit. The pension would be equal to 1/54th of Final Average Salary for each year of membership. In the event of death in service a lump sum benefit equal to 20 per cent of Salary for each year of membership (based on prospective service to age 65) will be paid. If a member leaves the Fund, for reasons other than death or disablement before age 55, the lump sum entitlement will be reduced at the rate of 2 per cent per annum for each year before age 55. Salary excludes overtime and other allowances. Final Average Salary is a three year average of salary calculated immediately before the member leaves the Fund.

(f) Service contracts

Mr. Anderson is employed by BHP Billiton Limited under a fixed term contract which will conclude on 31 October 2003. Prior to that time, the contract is terminable by Mr. Anderson by giving not less than 60 days' written notice. The contract is also terminable by BHP Billiton Limited for cause, or may be terminated by reason of death or disablement or protracted illness.

Under that contract Mr. Anderson receives an annual salary of A$1 600 000. He also received a grant under BHP Billiton Limited's Performance Share Plan of 1 000 000 Performance Rights ("PRs") over the life of the contract, which are subject to performance and service conditions. The terms of issue of these PRs provide for the issue of a corresponding number of BHP Billiton Limited Shares, as adjusted to reflect the effect of the capital reduction undertaken in October 2000 and the bonus issue made in July 2001.

In the event that Mr. Anderson's contract is terminated for a reason other than cause, or terminates by reason of death, disablement or protracted illness, he is entitled to a payment equal to twice his annual salary and reimbursement of reasonable relocation costs for himself and his immediate family from Australia to the USA. In the event that BHP Billiton Limited fails to renew Mr. Anderson's contract after its expiry on 31 October 2003 or to otherwise employ Mr. Anderson, BHP Billiton Limited is liable to pay Mr. Anderson an amount equivalent to twice his annual salary and he is entitled to the reimbursement of reasonable costs for relocation of his family to the USA.

In addition to salary, Mr. Anderson's contract provides that he shall be entitled to a lump sum payment of A$125 000 on 31 October 2003 if he is employed by BHP Billiton Limited on that date. Mr. Anderson may at his discretion direct that deductions are made from his salary to enable him to participate in benefits programmes available to executives of BHP Billiton Limited from time to time. Mr. Anderson's salary may be increased during the term of the contract and whether or not an increase shall be awarded will be determined annually on 1 December.

Following the completion of the DLC merger the Remuneration Committee has resolved to review the remuneration of the Chief Executive Officer and Managing Director with a view to reaching parity, in terms of total compensation, with the Deputy Chief Executive Officer. This review has not yet taken place.

Mr. Ron McNeilly serves as an Executive Director on the Board. There is no written service contract for Mr. McNeilly, but his terms of employment are outlined below.

Mr. McNeilly's current salary is A$1 026 500. He also participates in BHP Billiton Limited's executive incentive programme, which provides him with a cash bonus target

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

equal to 75 per cent of his salary (maximum 150%) if target key performance indicators are met.

Mr. McNeilly's employment is terminable by BHP Billiton Limited giving not less than two months' notice. Upon termination of employment by BHP Billiton Limited, Mr. McNeilly is entitled to a severance payment (so far as permitted by the cap on permissible payments under Section 200G of the Corporations Law) calculated in accordance with BHP Billiton Limited's prevailing policy for severance of executives as applicable to Mr. McNeilly's seniority and length of service. However, if BHP Billiton Limited terminates Mr. McNeilly's employment prior to 31 July 2005, the amount of severance would not be less than the amount which would be calculated by applying to Mr. McNeilly's salary a multiplier reducing evenly from 2.5 times to zero times over that period. These entitlements upon termination of the contract do not apply in the instance of termination due to serious misconduct or termination by reason of protracted illness or disablement.

2 Executive Directors' emoluments

The following table sets out an analysis of emoluments including bonuses and termination payments, but excluding the awards made under any Long Term Incentive Plan or other share-based compensation, of the individual Executive Directors who held office during the year ended 30 June 2001. Comparative information for 2000 is shown.

		Base salary US$	Annual bonus US$	Other benefits US$	Termination payments US$	2001 Total US$	2000 Total US$
Paul Anderson	a,b	849 141	1 030 812	-	-	1 879 953	1 945 250
Brian Gilbertson	c	1 132 794	855 259	241 778	-	2 229 831	1 654 214
Ron McNeilly	a	550 512	515 897	1 770	-	1 068 179	1 225 182
		2 532 447	2 401 968	243 548		5 177 963	4 824 646
Michael Davis	d	688 855	520 086	443 188	-	1 652 129	1 415 624
Steve Kesler	e	415 791	-	124 268	2 042 499	2 582 558	1 029 386
David Munro	f	688 855	520 086	159 378	-	1 368 319	1 236 790
Miklos Salamon	f	688 855	520 086	288 650	-	1 497 591	1 217 052
Total		**5 014 803**	**3 962 226**	**1 259 032**	**2 042 499**	**12 278 560**	**9 723 498**

(a) Although the Boards of BHP Billiton Plc and BHP Billiton Limited will remain separate and will be subject to separate legal obligations, they will comprise the same persons to ensure that the BHP Billiton Group is managed as a unified economic entity. During the year ended 30 June 2001, Paul Anderson and Ron McNeilly were members of the BHP Billiton Limited Board and on implementation of the merger they also became members of the BHP Billiton Plc Board.

(b) In addition to his cash salary and bonus included above, Paul Anderson is entitled to short term share-based compensation, details of which are set out below. The value of shares arising on Performance Rights becoming exercisable during the year ended 30 June 2001 was US$2 322 901 (2000: US$2 433 896).

(c) For the year ended 30 June 2001 Brian Gilbertson was a member of the BHP Billiton Plc Board and on implementation of the DLC merger he was also appointed as a director of BHP Billiton Limited.

(d) Michael Davis did not take up an appointment as a Director of BHP Billiton Limited and resigned from his role as a Director of Billiton Plc on 29 June 2001. He continues to be employed by the BHP Billiton Plc Group until 1 October 2001 on the same terms.

(e) Steve Kesler resigned as a Director of Billiton Plc on 5 March 2001. In addition to his termination payment included above, which he received as compensation for loss of office, the shares which he was awarded under the Restricted Share Scheme vested on a pro-rated basis and Mr Kesler received a total of 308 629 shares. Pursuant to the rules of the CIP, the 19,169 Committed Shares he held were forfeited and the corresponding option to receive shares under the Matching Award lapsed and ceased to be exercisable on the date of cessation of employment. The termination payment also includes US$683 233 in respect of the defined benefit pension promise waived on leaving service. He continues to be available to provide ad hoc consultancy services to Billiton Services Jersey Limited for a maximum period of up to 12 months from the date of his resignation at no further cost.

(f) Miklos Salamon and David Munro resigned from their roles as Directors of Billiton Plc on 29 June 2001 but remain employed by the BHP Billiton Group. They received no compensation upon their resignation.

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

Other benefits include the housing allowance and accommodation costs, together with medical insurance, life assurance, subscriptions, travel costs, car allowance, relocation costs, professional tax advisory fees, home security and personal use of company assets.

Miklos Salamon is paid a housing allowance of US$145 230 per annum from September 1999. Brian Gilbertson and Michael Davis have occupied properties in London rent-free under agreements with subsidiary companies. The values of these benefits based on estimated market rent are US$85 620 and US$314 758 respectively. With the permission of the Remuneration Committee, Brian Gilbertson continues to occupy the property rent-free. The BHP Billiton Plc Remuneration Committee has also exercised its discretion in the case of Michael Davis to continue to provide him with rent-free accommodation.

No Director waived emoluments in respect of the year ended 30 June 2001. This is consistent with the prior year.

Short Term Share Based Compensation

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

Long Term Incentive Plans

BHP Billiton Plc

Details of awards granted during the year under the Long Term Incentive Plans are set out in Section 5 below.

At the Extraordinary General Meeting held by BHP Billiton Plc on 15 May 2001 it was agreed by shareholders that on the completion of the merger all outstanding Scheme Awards could vest in full, Committed Shares, under the CIP could be released and the Matching Awards could vest to the maximum extent possible and become exercisable on a date to be decided by the Trustees. Completion of the merger occurred on 29 June 2001. The Trustees announced on 29 June 2001 that the date of vesting of awards granted under the Scheme and the CIP should be 20 August 2001, the day of BHP Billiton Plc's preliminary profit announcement. All awards have vested at the date of this Report.

BHP Billiton Limited

During the financial year, Ron McNeilly was granted 57 222 Performance Rights over 118 170 BHP Billiton Limited shares under the Performance Share Plan at no cost.

	Age at 30 June 2001	Years of service at 30 June 2001	Pension waived during the year US$	Defined contribution switch	Additional pension net of inflation US$	Accrued annual pension entitlement end of year 30 June 2001 US$	Accrued annual pension entitlement at start of year 1 July 2000 US$
Brian Gilbertson	57	31	–	–	128 412	731 000	641 100
Michael Davis	43	7	–	–	15 393	96 500	86 200
Steve Kesler	50	3	55 038	42 722	17 506	14 698	10 300
Miklos Salamon	46	16	–	–	54 546	361 200	325 900
David Munro	46	20	–	–	55 373	444 500	413 200

Pensions

BHP Billiton Plc

The above table sets out information relating to the defined benefit pension entitlements of the individual Executive Directors who held office during the year ended 30 June 2001. The basis on which the table has been prepared is to set out the amount of increase in the accrued pension, before commutation, to which each Director has become entitled during the year. These amounts are inclusive of the benefits payable under the Billiton Executive Provident Fund. The information given below and in the BHP Billiton Plc Remuneration Committee policy statement above should enable a reasonable assessment of the year's increase in transfer values to be made.

The annual pension entitlements shown above are those which would be paid on retirement based on service to 30 June 2001. Shown above is the additional pension earned in the year net of inflation and exchange rate movements. This amount reflects the effect of regular salary increases and an additional one year's service where appropriate.

Steve Kesler elected to switch his defined contribution entitlement for a defined benefit promise immediately prior to leaving service at which time he also waived an element of his defined benefit promise in exchange for a cash payment disclosed above.

At 30 June 2001, Brian Gilbertson had 20 years of pensionable service. Under his new contractual arrangements he is entitled to accrue up to 10 additional years of pensionable service from 1 July 2001.

The table opposite sets out information relating to pension contributions made by companies in the BHP Billiton Plc Group for the individual Executive Directors who held office during the year ended 30 June 2001 and who elected to receive part of their pension provision in defined contribution form:

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

	Contributions paid for the year ended 30 June 2001 US$	Contributions paid for the year ended 30 June 2000 US$
Michael Davis	228 000	214 500
Steve Kesler	122 391	185 400

As explained above, all the defined contribution benefit arising from contributions made on behalf of Steve Kesler were switched to the defined benefit arrangements above.

BHP Billiton Limited

Ron McNeilly is entitled to a lump sum payment on retirement.
Based on his service to date, (in excess of 36 years) the amount payable at 30 June 2001 was US$3 603 483 (2000: US$3 919 082).

3 Executive Directors' interests in Long-Term Incentive Plans and other Share Schemes

BHP Billiton Plc

Restricted Share Scheme

Name	Awards made in current year	Awards made in previous years	Awards vested/lapsed in current year	Total Outstanding Awards as at 30 June 2001
Brian Gilbertson	353 207	953 047	213 636	1 092 618
Michael Davis	214 786	682 246	159 091	737 941
David Munro	214 786	682 246	159 091	737 941
Miklos Salamon	214 786	682 246	159 091	737 941
Steve Kesler	192 253	402 814	595 067	-

During the current year (on 29 August 2000), the conditional awards made on 29 August 1997 vested to the extent of 50 per cent with the remaining 50 per cent lapsing.

The aggregate value of shares vesting under the RSS in the year to 30 June 2001 based on the market price of shares on the day of vesting is as follows:

Name	Number of shares vesting	Aggregate market value of awards at date of vesting US$
Brian Gilbertson	106 819	424 166
Michael Davis	79 547	315 872
David Munro	79 547	315 872
Miklos Salamon	79 547	315 872
Steve Kesler	308 629	1 401 245

The BHP Billiton Employee Share Ownership Trust held 14 225 249 Ordinary Shares as at 30 June 2001 (2000: 10 695 741). Directors are deemed to be interested in these shares as beneficiaries of the Trust.

Co-Investment Plan

On 8 December 2000, the Executive Directors elected to participate in the BHP Billiton Plc Co-Investment Plan to the extent set out below.

Name	*Committed Shares*	*Shares under* Matching Award
Brian Gilbertson	92 361	348 311
Michael Davis	22 473	104 285
David Munro	31 794	161 612
Miklos Salamon	22 473	103 784

Following completion of the merger all awards vested on 20 August 2001 when the share price was US$4.58.

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

BHP Billiton Limited

BHP Billiton Limited Performance Share Plan (PSP)

Name	Number of shares subject to performance rights held at 30 June 2001(a)	Number of shares subject to performance rights held at 30 June 2000 (a)
Paul Anderson	1 284 660	1 652 080
Ron McNeilly	118 170	-

(a) The number of shares has been adjusted to reflect the bonus issue.

During the year Ron McNeilly was issued with 57 222 Performance Rights after approval by shareholders on 17 October 2000. Each Performance Right constitutes a right to acquire 2.0651 ordinary BHP Billiton Limited shares subject to a performance hurdle relating to total shareholder return described above. The Performance Rights have a zero exercise price. The Performance Rights are first exercisable on 1 July 2003 and expire on 1 November 2010.

Paul Anderson was issued with 1 000 000 Performance Rights after approval by shareholders in the BHP Billiton Limited General Meeting on 26 February 1999. Each Performance Right constitutes a right to acquire (after adjustment to take account of the spin off of OneSteel Limited in October 2000 and the bonus issue in July 2001), 2.1411 ordinary BHP Billiton Limited shares upon completion of service conditions or fulfilment of performance conditions. The Performance Rights have a zero exercise price. Paul Anderson accrues the entitlement to exercise 100 000 Performance Rights per annum subject to satisfying a service condition and up to 100 000 Performance Rights per annum subject to satisfying performance targets set by the Board on an annual basis.

In addition to the shares subject to Performance Rights above, Paul Anderson had Performance Rights which were exercisable which entitled him to 53 528 BHP Billiton Limited shares at 30 June 2001 (2000: 51 628)

BHP Billiton Limited Employee Share Plan

Name	Number of shares subject to options at 30 June 2001(a)	30 June 2000(a)
Paul Anderson	2 065 100	2 065 100
Ron McNeilly	516 275	516 275

(a) The number of shares and the exercise prices have been adjusted to reflect the bonus issue

Paul Anderson was issued with 1 000 000 options and Ron McNeilly with 250 000 options under the BHP Billiton Limited Employee Share Plan after approval by shareholders in the BHP Billiton Limited General Meeting on 26 February 1999. The effective exercise price per share for Paul Anderson was A$7.62 (adjusted as a result of the OneSteel capital reduction) and A$7.61 for Ron McNeilly (adjusted as a result of the OneSteel capital reduction). The options are not exercisable before 23 April 2002 and are also subject to performance hurdles. These options expire on 22 April 2009. The performance hurdle relates to BHP Billiton Limited's total shareholder return relative to comparator groups of companies, one being a group of substantial Australian companies and the other a global group. The proportion of options that become exercisable will depend on the ranking measured upon the third anniversary of issue and monthly thereafter.

BHP Billiton Limited Executive Share Scheme

Name	Shares partly paid (a) 2001	2000
Ron McNeilly	610 000 (b)	610 000 (b)
	200 000 (c)	200 000 (c)

Notes:

(a) Mr McNeilly holds partly paid shares under the Executive Share Scheme.

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

(b) Beneficially held, paid to A$0.67 and issued on the following dates:

Number	Date issued	Final call A$
25,000	5 October 1987	9.98
75,000	24 August 1988	7.74
60,000	7 August 1989	9.18
50,000	6 August 1990	10.31
200,000	3 August 1992	12.91
200,000	6 October 1993	16.01

(c) Beneficially held, paid to A$0.71, issued on 5 August 1991 at a final call price of A$12.81 (after adjustment for OneSteel capital reduction).

There have been no changes in the above interests between 30 June 2001 and the date of this report, other than the shares that the BHP Billiton Plc directors became beneficially entitled to on the vesting of the RSS and CIP plans on 20 August 2001.

4 Non-executive Directors emoluments

The following table sets out the fees and other benefits of the Non-Executive Directors who held office during the year ended 30 June 2001:

		Fees US$	Other benefits US$	2001 Total US$	2000 Total US$
Don Argus	a	235 972	-	235 972	251 000
Ben Alberts	a	58 993	-	58 993	31 375
David Brink	b	60 634	1 279	61 913	53 882
Michael Chaney	a	58 993	-	58 993	62 750
John Conde	a	58 993	-	58 993	62 750
David Crawford	a	58 993	-	58 993	62 750
Cornelius Herkströter	b	76 827	1 279	78 106	80 057
John Jackson	b	77 480	-	77 480	80 693
David Jenkins	a	58 993	-	58 993	20 916
Derek Keys	b	50 540	5 236	55 776	53 644
John Ralph	a	58 993	-	58 993	62 750
Lord Renwick	b	50 540	-	50 540	65 349
Barry Romeril	b	49 015	1 279	50 294	49 529
John Schubert	a	58 993	-	58 993	5 229
		1 013 959	9 073	1 023 032	942 674
Matthys Visser	c	22 220	1 279	23 499	53 644
Total		1 036 179	10 352	1 046 531	996 318

(a) Although the Boards of BHP Billiton Plc and BHP Billiton Limited will remain separate and will be subject to separate legal obligations, they will comprise the same persons to ensure that the BHP Billiton Group is managed as a unified economic entity. For the year ended 30 June 2001 Don Argus, Ben Alberts, Michael Chaney, John Conde, David Crawford, David Jenkins, John Ralph and John Schubert were Non-Executive Directors of BHP Billiton Limited. On implementation of the merger they also became members of the BHP Billiton Plc Board.

(b) For the year ended 30 June 2001 John Jackson, David Brink, Cornelius Herkströter, Derek Keys, Lord Renwick and Barry Romeril were Non-Executive members of the BHP Billiton Plc Board. On implementation of the merger they also became members of the BHP Billiton Limited Board.

(c) Matthys Visser resigned his Non-Executive Directorship with BHP Billiton Plc on 8 December 2000.

As a result of the merger the Board, with the assistance of external experts, will review fees payable to Directors. This review has not yet taken place. The principles that will underpin the review are that:

- Directors will receive one fee only for their services as Directors of BHP Billiton Plc and BHP Billiton Limited
- the aggregate of the fees paid will be contained within the single cap of US$3 000 000; and
- fees will be conformed so that all Directors will receive the same base fee for service.

Given the multi national make-up of the Board, it is anticipated that fees will be denominated in one common currency (expected to be US dollars) and Directors will take those fees in the currency of their choice.

DIRECTORS' REPORT ON BOARD REMUNERATION CONTINUED

Pensions

In 1989, shareholders of BHP Billiton Limited approved the terms of a retirement plan under which Non Executive Directors accrued pension entitlements. Details of the entitlements which had accrued at 30 June 2001 are set out in the table below.

Entitlements are attached to the period of service and are paid on retirement from office (or to nominated beneficiaries in the case of death of a Director while in office). There are no plans to extend this plan beyond the current participants all of whom are listed in the table below.

Name	Completed Years of service at 30 June 2001	Lump Sum Entitlement at 30 June 2001 US$	Lump Sum Entitlement at 30 June 2000 US$
Don Argus	6	532 224	406 080
Ben Alberts	2	63 504	36 096
Michael Chaney	6	166 656	180 480
John Conde	6	166 656	180 480
David Crawford	7	177 072	192 512
David Jenkins	1	31 752	-
John Ralph	4	124 992	108 288
John Schubert	1	31 752	-

5 Directors' Share Interests

The interests of the Directors who held office at 30 June 2001 in the shares of BHP Billiton Plc and BHP Billiton Limited were:

		As at 30 June 2001[1]		As at 1 July 2000[1]	
BHP Billiton shares		Beneficial	Non-beneficial	Beneficial	Non-beneficial
Paul Anderson		*683 218*	–	*369 653*	–
Brian Gilbertson		496 813	–	389 994	–
Ron McNeilly	- fully paid	*1 090 834*	–	*1 090 834*	–
	- partly paid	*810 000*	–	*810 000*	–
Don Argus		*173 495*	–	*80 564*	–
John Jackson		12 500	–	12 500	–
Ben Alberts		*10 326*	–	*2 066*	–
David Brink		–	37 000	–	37 000
Michael Chaney		*4 338*	–	*4 338*	–
John Conde		*42 469*	–	*12 801*	–
David Crawford		*13 126*	–	*8 996*	–
Cornelius Herkströter		10 000	–	10 000	–
David Jenkins		*10 327*	–	*2 065*	–
Derek Keys		70 000	–	70 000	–
John Ralph		*29 190*	–	*29 190*	–
Lord Renwick		6 000	–	6 000	–
		1 000	–	–	–
Barry Romeril		10 000	–	10 000	–
John Schubert		*23 675*	–	*23 675*	–

[1] Shares in BHP Billiton Limited are shown in italics. BHP Billiton Limited shares for both periods have been adjusted to reflect the bonus issue made as part of the DLC merger arrangements.

The interests of the Directors in the long-term incentive and other arrangements is given in Section 3 of this Report.

As at the date of this report, Brian Gilbertson has a beneficial interest in 1 153 252 BHP Billiton Plc shares, Don Argus has beneficial interest in 183 495 BHP Billiton Limited shares and Paul Anderson has a beneficial interest in 950 856 shares in BHP Billiton Limited. There have been no other changes in the interests of other directors between 30 June 2001 and the date of this Report.

CORPORATE GOVERNANCE

While BHP Billiton Plc and BHP Billiton Limited continue as separate public companies, they operate as though they were a single unified entity under the control of unified Boards and management. This structure means that, going forward, most matters considered by the Directors will need to be considered by the Boards of BHP Billiton Plc and BHP Billiton Limited.

Each of BHP Billiton Plc and BHP Billiton Limited has well developed governance policies and practices which have been regularly reported to shareholders and which were designed to meet best practice in the environment in which they operate. Following completion of the merger, existing governance policies and practices of both companies have been subject to review. The aim of the review is to implement a governance framework across the group that meets the highest standards of governance as well as the regulatory requirements in all of the jurisdictions in which the BHP Billiton Group now operates. The Boards are committed to adopting the better of the existing governance practices between the two companies and will do so even in circumstances where a particular practice is not required to meet prevailing statutory obligation.

The review is well underway. As uniform policies and practices are formulated they will be brought progressively to the Boards of BHP Billiton Plc and BHP Billiton Limited for consideration. In August the Boards considered and approved some new initiatives, including the appointment of new Board Committees and the adoption of a uniform policy to deal with trading in the securities of the companies. Where changes to governance practices have already been implemented by the Boards, these are reported below in addition to information on the practices that were in place for BHP Billiton Plc throughout the past year.

Compliance statement

The BHP Billiton Group is committed to high standards of corporate governance. Throughout the year to 30 June 2001 BHP Billiton Plc has complied with the provisions set out in Section 1 of the Combined Code on corporate governance ("the Combined Code").

It has been BHP Billiton Plc's practice to ask shareholders to approve its annual financial statements at its general meeting. Under the DLC arrangement, shareholders in BHP Billiton Limited would also be required to vote on the BHP Billiton Plc financial statements. In this first annual report period under the DLC arrangements, this would create a number of difficulties, both regulatory and in relation to the distribution to shareholders of large amounts of material. As a result, no vote will be taken on the BHP Billiton Plc accounts at the 2001 annual general meeting. Instead, the accounts will be laid before the BHP Billiton Plc meeting and the Chairman will take questions thereon. This will result in non-compliance with one provision of the Combined Code in the 2002 financial year. The Directors hope to be able to resolve this issue more satisfactorily going forward.

As an Australian company, BHP Billiton Limited is not required to consider whether it complies with the provisions of the Combined Code. However, BHP Billiton Limited has a comprehensive governance regime that is broadly consistent with the Code. In any event BHP Billiton Limited is examining a move to compliance with the Code on a voluntary basis in the future.

Application of the principles of the Combined Code

The Combined Code establishes fourteen Principles of Good Governance. These principles are divided into four areas: Directors, Directors' Remuneration, Relations with Shareholders and Accountability and Audit, and are detailed below.

Directors

Board composition following the DLC merger

The Boards of BHP Billiton Plc and of BHP Billiton Limited have seventeen members, three of whom are Executive Directors and 14 Non-Executive Directors. The names of Directors and their biographical details are set out on pages 40 to 43.

Don Argus is a Non-Executive Director and Chairman of both Boards. Paul Anderson is the Chief Executive Officer and Managing Director. All 14 Non-Executive Directors are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In addition to the Chairman, these Directors are Ben Alberts, Lord Renwick of Clifton, David Brink, Michael Chaney, John Conde, David Crawford, Cornelius Herkströter, David Jenkins, John Jackson, Derek Keys, John Schubert, John Ralph, and Barry Romeril. John Jackson, the former senior independent director of Billiton Plc, has been appointed the Deputy Chairman of both companies.

Board constitution before the DLC merger

Prior to the DLC merger, the Board of BHP Billiton Plc had up to 12 members during the year, five Executive Directors and seven Non-Executive Directors. Brian Gilbertson chaired the Board and was also the Chief Executive. The Board endorsed the combined role given the stage of development of BHP Billiton Plc, and the presence of a strong and independent element on the Board, and the effective operation of the Executive Commitee. All Non-Executive Directors were considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. These Directors were Lord Renwick of Clifton, David Brink, Cornelius Herkströter, John Jackson, Derek Keys, Barry Romeril and Matthys Visser (who resigned during the year).

Both the current and past Board structures ensure that no individual or group of individuals dominates the Board's decision-making process. The Directors have wide ranging experience and

CORPORATE GOVERNANCE CONTINUED

all have occupied or currently occupy senior positions in industry and/or government.

The Board, which met three times during the year, provided effective leadership and managed overall control of the BHP Billiton Plc Group's affairs through the schedule of matters reserved for its decision. This included approval of the annual budget and business plan, major capital expenditure, significant acquisitions and disposals, risk management policies and approval of financial statements. Formal agendas, papers and reports were supplied to Directors in advance of Board meetings. The Board also received a monthly summary financial report incorporating consolidated and commodity unit results and forecasts. The Board delegated certain of its responsibilities to Board committees with clearly defined terms of reference. These are discussed below.

Seven meetings of the Board are scheduled for this current year, four of which will be held in Melbourne and three in London. The duration of meetings has now been extended from one to two days.

The agenda for meetings is prepared by the Company Secretary in conjunction with the Chairman and the Chief Executive Officer and Managing Director. Any member of the Board may request the addition of an item to the agenda. Papers and submissions are circulated in either electronic or hard copy form to Directors in advance of the meeting.

Members of the Executive Committee participate in meetings of the Board while other members of management attend meetings from time to time. A report from the Chief Executive Officer and Managing Director to members of the Board will be provided on a monthly basis, whether or not the Board is meeting in that month.

The Board works to a rolling calendar and conducts periodic reviews of the Group's businesses. Open, searching and constructive discussion by Directors is expected and encouraged. The Board recognises that constructive differences of opinion are a positive influence on debate.

The Directors recognise that the merger creates very large businesses and that they will need to accelerate their learning about the new businesses. Each Director is being encouraged to agree a program, designed to run over a period of approximately 12 months, that will expose that Director to the new assets and asset managers.

During the past year, all Directors had access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed. Any director could take independent professional advice at the expense of BHP Billiton Plc in the furtherance of their duties.

All Directors are subject to election by shareholders at the first opportunity after their appointment. BHP Billiton Plc's Articles of Association ensure that all Directors stand for re-election at least every three years. Directors are eligible for re-election by shareholders.

At the Annual General Meeting to be held in October, shareholders will be asked to approve amendments to the Articles of Association of BHP Billiton Plc and the Constitution of BHP Billiton Limited. The amendments are designed to simplify the administration of the Companies and to ensure that, to the extent permitted under English and Australian company law, these constituent documents are identical.

Committees of the Board

The Board of BHP Billiton Plc operated through six standing committees with delegated authority and defined terms of reference. The Committees met periodically throughout the year as the business of each Committee necessitated. The Board intends to operate through equivalent Committees in the future. The agenda for Committee meetings is prepared in conjunction with the Chairman of the relevant Committee and papers and submissions will be distributed to Committee members in advance. The office of the Company Secretary provides secretarial services to each Committee. Each Committee is free to invite members of management or others to attend meetings. Each Committee is also free to take external advice as and when it considers appropriate. The composition, purpose and function of these committees are described below.

Audit Committee

The Audit Committee comprised three Non-Executive Directors: Cornelius Herkströter (Chairman), Derek Keys and Matthys Visser (replaced by Barry Romeril following Mr Visser's resignation on 8 December 2000), and had specific terms of reference dealing with its authority and duties. The Committee overviewed the monitoring of the adequacy of the BHP Billiton Plc Group's internal controls, accounting policies and financial reporting and provided a forum through which the BHP Billiton Plc Group's external auditors and internal audit function reported to the Board. The Committee also reviewed the scope and quality, including the independence and objectivity, of the internal and external audit, and the fees paid to external auditors for both audit and non-audit work. An audit firm may perform non-audit work for the Group but only when its tender is considered superior to that of other specialist firms. The Audit Committee met three times during the year. The external auditors, the Chairman, the Chief Financial Officer, the General Manager Group Finance and the Group Internal Auditor attended meetings, although a part of each meeting was held between the Committee members and external auditors without members of management. The minutes of meetings were circulated to all members of the Board. From July 2001 the Audit Committee for the combined BHP Billiton Group was renamed the Risk Management and Audit Committee and comprises four Non-Executive Directors: Cornelius Herkströter, Barry Romeril,

CORPORATE GOVERNANCE CONTINUED

Ben Alberts and David Crawford (Chairman). The purpose and function of the committee will not differ materially from the previous year.

Executive Committee

The Executive Committee, under the Chairmanship of Brian Gilbertson, comprised all the Executive Directors together with Ian Fraser, BHP Billiton Plc's Group Human Resources Director and Marius Kloppers. The Executive Committee dealt with a wide range of matters, including a review of the monthly financial results and forecasts, proposals for capital expenditure, major operational matters, and human resource management, including all key appointments within the BHP Billiton Plc Group, succession planning and development of the BHP Billiton Plc Group's key individuals. The Committee also reviewed acquisitions, disposals and annual business plans before they were submitted to the Board and reviewed the high-level business risks and opportunities facing the BHP Billiton Plc Group and related internal controls. In the year ended 30 June 2001, the Executive Committee met nine times. Minutes of the Committee were circulated to all Board members. From July 2001 the Executive Committee comprised Paul Anderson (Chief Executive Officer and Managing Director), Brian Gilbertson (Executive Director and Deputy Chief Executive Officer), Kirby Adams (President Steel), Philip Aiken (President and Chief Executive Officer Petroleum), John Fast (Chief Legal Counsel), Chip Goodyear (Chief Development Officer and Acting Chief Financial Officer) and Miklos Salamon (President and Chief Executive Officer Minerals).

Financial Risk Management Committee

The Financial Risk Management Committee comprised three Executive Directors: Brian Gilbertson (Chairman), Mick Davis and David Munro together with the General Managers responsible for corporate finance, Group finance and treasury respectively. The Committee was tasked to set, approve and monitor the execution of the financial risk management policies of the Group within the delegated authorities and approval framework of the Board. The Committee met monthly. Minutes of the Committee were circulated to all Board members. Following the DLC merger, this Committee will function as a management rather than a Board Committee, with different membership.

Health, Safety and Environmental (HSE) Committee

The HSE Committee, chaired by David Brink, comprised seven members (including Brian Gilbertson). Four of the Committee's members were independent experts who advised the BHP Billiton Plc Group on best international practice in their respective health, safety and environmental fields and monitored compliance with BHP Billiton Group policies. The HSE Committee met twice during the year and minutes of the meetings were circulated to all Board members. In July 2001, David Jenkins joined the Committee and additional independent experts, yet to be finalised, will be appointed. The purpose and function of the committee will not differ materially from the previous year.

Nominations Committee

The Nominations Committee comprised three non-executive directors: Cornelius Herkströter (Chairman), Lord Renwick of Clifton and John Jackson. The Committee met as required to select and propose to the Board suitable candidates for appointment as Directors. From July 2001 the Nominations Committee comprised Don Argus (Chairman), David Brink, Lord Renwick of Clifton and John Schubert. The purpose and function of the Committee is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance, including establishing processes for the identification of suitable candidates for appointment to the Board.

Remuneration Committee

The Remuneration Committee comprised four non-executive directors: John Jackson (Chairman), Lord Renwick of Clifton, Barry Romeril and Matthys Visser (until his resignation on 8 December 2000). Derek Keys acted as a special adviser without vote. The Committee was responsible for determining the remuneration and benefits of Billiton Plc's Executive Directors. It also reviewed the Group's general policy on executive remuneration. The consideration of the remuneration of Non-Executive Directors was a matter for the Board as a whole and was not considered by this Committee. The Committee met twice during the year. From July 2001 the Remuneration Committee comprised John Conde, John Jackson (Chairman), Derek Keys and John Ralph. The purpose and function of the Committee will not differ materially from the previous year.

Directors' Remuneration

Details of remuneration paid to the Directors is set out in the Directors' Report on Board Remuneration.

Share Ownership

In 2000 the BHP Billiton Limited Directors agreed to apply at least 25% of their remuneration to the purchase of BHP Billiton Limited shares until they achieved a shareholding equivalent in value to one year's remuneration and, thereafter, to maintain at least that level of shareholding throughout their tenure.

Following the merger the Board will again consider the issue of share ownership by Directors with a view to ensuring that a consistent policy exists for BHP Billiton Plc and BHP Billiton Limited. Details of the shares held by Directors are set out on page 68 of this Report.

CORPORATE GOVERNANCE CONTINUED

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

Relations with shareholders

The Boards of BHP Billiton Plc and of BHP Billiton Limited place considerable importance on effective communication with shareholders. All shareholders can gain access to the annual report and accounts and other up-to-date information about the BHP Billiton Group, through the BHP Billiton Group's website on http://www.bhpbilliton.com. Briefing meetings are held at appropriate times and in accordance with disclosure obligations. In order to promote a better understanding of the BHP Billiton Group, visits will be arranged from time to time for analysts and shareholders to operating facilities world-wide.

Care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with London, Australia and Johannesburg Stock Exchange requirements. Simultaneous release of this information is made by e-mail to all those on the contact database. Any person(s) wishing to be added to this database should contact Corporate Affairs at corporate.affairs@bhpbilliton.com.

The principal communication with private investors is through the provision of the annual report and accounts, the interim statement and the Annual General Meeting, the notice of which is posted at least 20 working days in advance. At the meeting in 2000, the Chairman gave a presentation on BHP Billiton Plc's business. Shareholders were invited to ask questions and express their views about the business at the meeting. A separate resolution was proposed on each substantially separate issue, including the annual report and accounts, and the number of proxy votes received for and against each resolution was announced, after it had been dealt with on a show of hands. (As outlined above, BHP Billiton Plc does not intend to comply with its usual practice of asking shareholders to approve its financial statements this year.) The total number of shares voted by proxy at the 2000 Annual General Meeting (as a proportion of the issued share capital) equated to some 60 per cent. The Chairmen of the Health, Safety and Environmental Committee, the Remuneration Committee, the Nominations Committee, and the Audit Committee, were available to answer questions at the 2000 Annual General Meeting.

Accountability and audit

Financial reporting

The Board is mindful of its responsibility to present a balanced and clear assessment of the BHP Billiton Group's financial position and prospects. This assessment is primarily provided in the Chairman's Report, CEO's Report and Financial Review and in the various Customer Sector Group reports contained in this Report. An explanation of the respective responsibilities of the Directors and the auditors in respect of the preparation of the accounts is set out on page 76. The Directors set out on page 46 the basis of their view that the business is a going concern.

Internal control

The Directors are responsible for the system of internal controls and for regularly reviewing its effectiveness. The principal aim of the system of internal controls is the management of business risks that are significant to the fulfilment of the BHP Billiton Group's business objectives with a view of enhancing over time the value of the shareholders' investment and safeguarding the assets. Although no system of internal controls can provide absolute assurance that business risks will be fully mitigated, the internal control systems have been designed to meet the BHP Billiton Group's particular needs and the risks to which it is exposed.

The key procedures that were established by BHP Billiton Plc and which were designed to provide effective internal control are:

Assessment of business risk

A system of risk assessment and identification and evaluation of controls is embedded in management processes. Strategic risks and opportunities arising from changes in the BHP Billiton Group's business environment were regularly reviewed by the Executive Committee and discussed by the Board. Risks relating to key functional activities within commodity units and at head office were assessed on a continuous basis. Summary reports were made to the commodity unit and head office Audit Committees (until now only established by BHP Billiton Plc but to be established for the Group as a whole following the merger) as well as to the Group Audit Committee, the Financial Risk Management Committee, and the Health, Safety and Environmental Committee, as appropriate. Key functional activities include exploration, mining, refining, smelting, production of petroleum, manufacture of steel products, information technology, technical development, human resources management, health, safety and environmental management, treasury, marketing and trading, commodity and currency hedging, taxation and finance.

CORPORATE GOVERNANCE CONTINUED

Control environment

The Boards set overall policy for the BHP Billiton Group and delegated the authority to implement that policy to its commodity and service units. A well-defined organisational structure with clear operating procedures, lines of responsibility and delegated authority has been established. A senior Executive responsible for one, or more, commodity, business and service units was a member of the Executive Committee. In terms of the BHP Billiton Group approvals framework, there are procedures for appraisal, review and authorisation of investments and capital expenditure.

Information and communication

The BHP Billiton Plc Group's operating procedures include a comprehensive system for reporting financial and non-financial information to the Directors, including:

- The preparation and review of annual budgets and comprehensive business plans which were approved by the Board.
- A review of the business (by commodity and business unit) at each Board meeting, focusing on any new risks arising (for example, those relating to proposed major investments and key changes in the markets).
- Regular meetings of the Executive Committee and the Financial Risk Management Committee.
- Meetings of the Health, Safety and Environmental (HSE) Committee.

Control procedures

Detailed operational procedures are developed for each of the key activities that embody key controls. The implications of changes in law and regulations were also taken into account within these procedures. Written procedures are established to safeguard assets and to ensure that financial transactions are properly recorded. Accounting policies and practices are widely disseminated throughout the BHP Billiton Plc Group. Each commodity unit documents detailed control procedures which are specific to its operations.

Monitoring process

There were clear procedures for monitoring the system of internal controls. The significant components of these were:

- Each half year, the managing director and chief financial officer of each operating unit were required to review internal controls and to return a formal letter of representation to the Group certifying compliance with Group policies and procedures and confirming the effectiveness of internal control systems.
- An internal audit department, reported directly to the Group Audit Committee. All major operations are audited regularly with emphasis on those functional activities of greatest risk. Internal audit addresses not only financial controls but also certain aspects of operational control. The Group Audit Committee approved the department's work programme and received a comprehensive activity report at each meeting. Regular reviews take place between internal audit management and the senior management of commodity and business units to assess their current control status and to identify and address any areas of concern.
- The Audit Committees of each operating unit reviewed the risk assessments and controls over these risks. The Group Risk Management and Audit Committee received reports and copies of minutes from each of the operating units' Audit Committees.
- The Group Audit Committee, had specific responsibility for assessing the effectiveness of financial internal controls and monitored the process of assessing the internal controls across the Group on behalf of the Board.
- The Health, Safety and Environmental Committee, which reviewed HSE risks and controls Group-wide.
- The Financial Risk Management Committee, set, approved and monitored the execution of the financial risk management policies of the BHP Billiton Plc Group.

The Directors conducted a review of the effectiveness of the BHP Billiton Plc Group's system of internal controls described above for the financial year and up to the date of this report in accordance with the guidance set out in Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance). The review encompassed financial, operational and compliance controls as well as risk management. The process used included the following elements:

- The Group Audit Committee reviewed the process by which risks are identified and assessed and the effectiveness of controls over these risks are assessed by commodity units and head office.
- The Group Audit Committee reviewed the effectiveness of financial internal control. This involved the review of the regular reporting from the commodity units and head office to their respective audit committees, the formal letters of representation from the managing directors and chief financial officers, considering reports from management, internal audit and the external auditors relating to the system of financial internal control and discussion with management of the actions being taken on problem areas identified.

CORPORATE GOVERNANCE CONTINUED

- The Health, Safety and Environment Committee reviewed the effectiveness of the internal controls covering those areas of risk. This involved considering the application of HSE policy by commodity units, the consideration of HSE matters at the planning stage of new endeavours and considering reports from management relating to internal controls over HSE risks and the discussion with management regarding the actions being taken on problem areas identified.
- The Financial Risk Management Committee reviewed the effectiveness of the internal controls relating to commodity risk, currency risk, funding risk and interest rate risk. A Treasury policy covering the use of financial instruments to manage these risks is in place.
- The Executive Committee reviewed the effectiveness of strategic, operational and compliance internal controls and risk management. This involved considering reports on key risk areas (concentrating on significant changes in the risk profile) and controls from the commodity units and head office, formulation of actions, policies and procedures to control risks and discussion with the Executive Director responsible for the relevant area, the actions being taken on problem areas identified.
- The Board considered reports from the Audit Committee, the Health, Safety and Environment Committee, Executive Committee, and the Financial Risk Management Committee on these areas during the year and, at the time of approving the annual report and accounts, considered a summary of the assessments of the effectiveness of the key risks and controls identified and received confirmation from the Executive Directors responsible for each area that controls were effective.

Although BHP Billiton Limited was not required to comply with London Stock Exchange listing requirements during the year to 30 June 2001, its risk management and internal control processes are considered broadly consistent with the Turnbull Guidance.

BHP Billiton Limited's strong culture of risk management and internal control is embedded in the business processes at an operational level as part of existing management and governance activities, and has been monitored throughout the year by the Risk Management & Audit department on behalf of the Audit Committee. All significant weaknesses in the system of internal control highlighted as a result of these monitoring activities were reported to the Audit Committee as "Significant Issues".

BHP Billiton Limited recognises that effective monitoring on a continuous basis is an essential component of a sound system of internal control. Monitoring of the effectiveness of its internal controls included the following activities:

- At four of its seven meetings, the Audit Committee considered the quarterly Audit Committee report from the Risk Management & Audit department, which set out the significant risks facing the Group. These risks were shown as "Audit Topics" and had been identified and evaluated using processes consistent with Standards Australia's AS/NZS 4360:1999 Risk Management.
- The effectiveness of the internal controls over these risks has been reviewed by the Risk Management & Audit department, and the results reported to the Audit Committee on an exception basis – only significant weaknesses in internal controls were reported to the Committee, along with progress reports on management actions to address these control weaknesses.
- The Risk Management & Audit department review of internal controls also included reviews of the effectiveness of the embedded processes at the operational level for risk identification, evaluation, monitoring and reporting. To date, no significant control weaknesses have been noted in this area.
- To avoid duplication of effort, excluded from the scope of these reviews are risks arising from mergers and acquisitions (which are subject to separate Board approval processes); commodity, currency and interest rate risks (which are specifically monitored and reported upon via Market Risk Management processes); and risks arising from public reporting processes (which are subject to other specific corporate governance monitoring activities).
- The quarterly Audit Committee reports from the Risk Management & Audit department included business feedback on internal audit performance and progress reports against the annual Audit Plan. From this data, along with trends in the reporting of Significant Issues, the Audit Committee considered the adequacy of monitoring and reporting upon the effectiveness of internal controls.

CORPORATE GOVERNANCE CONTINUED

- A continuing source of change in BHP Billiton Limited's risk profile is the impact of new investments and projects. For this reason, the Capital Investment Manual specifically includes risk identification, evaluation and risk treatment planning as an integral part of the tollgating and evaluation of new projects. For significant investments requiring Board approval, the risk identification and evaluation results, along with the risk treatment planning, was independently reviewed and made available to management and the Board via the Capital Projects Review Committee.
- The Audit Committee also reviewed the effectiveness of financial internal controls via the Financial Governance Framework, which included consideration of Annual Stewardship Reviews, half yearly Directors' Questionnaire to Management, quarterly Accounting Matters for Consideration and the quarterly Misappropriations Report.

Going forward, the monitoring and reporting processes will be standardised across the BHP Billiton Group. The Group also intends to use the merger as an opportunity to improve risk reporting processes with the aim of increasing the transparency of the key risk exposures and associated internal controls for Directors, senior management and the various Customer Segment Group Risk Management and Audit Committees.

Business Conduct and The Charter

The BHP Billiton Group has produced a Guide to Business Conduct, which is designed to assist every employee to make the decisions that are required of them in the performance of their responsibilities. It has also established a worldwide help-line as a means by which employees can seek guidance on how to make decisions with which they feel confident and comfortable. The help-line also affords employees an opportunity to express issues of concern.

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 Charter, which has been endorsed since the merger, states the purpose of the Group as being to create value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market focused solutions. It also formalises the value the Group places on safety and the environment, integrity, high performance, win-win relationships, the courage to lead change and respect for each other.

Political Contributions

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the BHP Billiton Group and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF BHP BILLITON PLC

We have audited the financial statements on pages 79 to 143.

We have also examined the amounts disclosed relating to emoluments, long term incentive scheme interests and pension benefits of the Directors which form the part of the Directors' Report on Board Remuneration on pages 56 to 68.

Respective responsibilities of Directors and joint auditors

The Directors are responsible for preparing the Annual Report. As described on page 76 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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

We review whether the statement on page 69 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants and registered auditor
London, 3 September 2001

PricewaterhouseCoopers

Chartered Accountants and registered auditors
London, 3 September 2001

FINANCIAL STATEMENTS

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Notes to the financial statements

Supplementary notes to the financial statements (unaudited)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2001

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

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

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

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

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

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

All amounts are derived from continuing activities.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 2001

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

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

BALANCE SHEETS

AT 30 JUNE 2001

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

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

D R Argus
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

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

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

DUAL LISTED COMPANIES STRUCTURE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Merger terms

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

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

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

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

Treatment of the DLC merger for accounting purposes

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

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

ACCOUNTING POLICIES

Basis of accounting

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

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

Application of new accounting standards and changes in accounting policies

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

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

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

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

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

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

- The previously published figures at 1 July 1999 and 30 June 2000 have been restated as follows:
  (a) the deferred tax balance has been increased by US$288 million and US$294 million respectively;
  (b) goodwill has been increased by US$111 million and US$104 million respectively due to increased deferred tax liabilities at the date of acquisition of businesses; and
  (c) investments in joint ventures have been reduced by US$49 million and US$49 million respectively,

  resulting in decreases in shareholders' funds of US$189 million and US$200 million after taking account of minority interests of US$37 million and US$39 million respectively;
- Operating profit and the tax on profit on ordinary activities for the year ended 30 June 2000 have been decreased by US$7 million and increased by US$6 million respectively from the figures previously published, resulting in profit after tax and attributable profit being decreased by US$13 million and US$11 million respectively; and
- The impact on the current year operating profit and charge for taxation is a decrease of US$7 million and of US$58 million respectively, resulting in attributable profit being increased by US$37 million, of which US$18 million is attributable to exceptional items.

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

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

ACCOUNTING POLICIES CONTINUED

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

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

Acquisitions, disposals and goodwill

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

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

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

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

Joint ventures

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

Joint arrangements

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

Foreign currencies

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

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

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

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

ACCOUNTING POLICIES CONTINUED

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

Financial instruments

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

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

Tangible fixed assets

Valuation

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

Mineral rights

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

Exploration, evaluation and development expenditure

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

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

in which case the expenditure is capitalised.

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

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

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

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

Other tangible fixed assets

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

Depreciation, depletion and amortisation

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

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

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

ACCOUNTING POLICIES CONTINUED

Other investments

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

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

Employee share awards

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

Stocks

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

Deferred taxation

Corporation Tax

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

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

Resource rent taxes and royalties

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

Provision for employee benefits

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

Pension costs and other post-retirement benefits

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

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

Leases

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

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

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

ACCOUNTING POLICIES CONTINUED

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

Decommissioning, site restoration and environmental costs

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

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

Turnover

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

Exchange rates

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

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

DLC MERGER OF BHP BILLITON PLC AND BHP BILLITON LIMITED

Terms of the merger

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

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

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

Accounting alignment

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

Accounting policies:

(A) Exploration costs charged to the profit and loss account by the BHP Billiton Plc Group but reinstated upon a project being considered to be economically viable are no longer re-instated.

(B) The BHP Billiton Limited Group previously recognised the cost of any committed decommissioning or restoration programme by a charge to profit on a units of production basis of the estimated undiscounted cost. Consistent with the policy applied by the BHP Billiton Plc Group, the expected cost, discounted to net present value, is provided and capitalised at the beginning of the project. The capitalised cost is amortised to operating profit over the life of the project and the increase in net present value of the provision as the discount unwinds is included in net interest and similar items.

(C) Costs of providing pensions previously charged to profit and loss account by the BHP Billiton Limited Group as contributions were made to the pension plans, are now charged to profit and loss account so as to allocate the costs systematically over employees' service lives.

(D) The BHP Billiton Limited Group has previously accounted for the proceeds of shares issued under its Employee Share Plan, the proceeds from exercise of share options or performance rights under that plan and proceeds from the issue of shares under the Executive Share Scheme as equity contributions. Consistent with the policy applied by the BHP Billiton Plc Group, the expected cost of awards under the Executive Share Scheme or the Employee Share Plan is charged to the profit and loss account over the vesting period.

Consolidation adjustments:

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

(F) Turnover and cost of sales arising on the sales of goods by the BHP Billiton Plc Group to the BHP Billiton Limited Group have been eliminated on consolidation.

Segment reclassification:

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

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

DLC MERGER OF BHP BILLITON PLC AND BHP BILLITON LIMITED CONTINUED

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

DLC MERGER OF BHP BILLITON PLC AND BHP BILLITON LIMITED CONTINUED

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

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

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

DLC MERGER OF BHP BILLITON PLC AND BHP BILLITON LIMITED CONTINUED

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

1 Principal subsidiaries, joint ventures, associates and joint arrangements

Subsidiary undertakings

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

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

The BHP Billiton Group comprises a large number of companies. The list above only includes those companies which principally affect the profit or net assets of the BHP Billiton Group together with the principal intermediate holding companies.

NOTES TO FINANCIAL STATEMENTS CONTINUED

Joint ventures

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

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

Notes :

(i) Held by Samancor Limited in which the BHP Billiton Group has a 60% interest.

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

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

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

Associates

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

Proportionally included joint arrangements

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

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

Notes:

(a) The BHP Billiton Group's interest in Central Queensland Coal Associates and Gregory Joint Ventures decreased to 50% in June 2001.

(b) The BHP Billiton Group's effective interest at 30 June 2001 is 77% with 3% attributable to outside equity interests in Dia Met Minerals Ltd.

(c) The BHP Billiton Group's interest was disposed of in January 2001.

(d) The BHP Billiton Group has a 45.5% economic interest in Valesul Aluminio SA.

(e) During the year the outstanding interest was acquired by Coal Operations Australia Limited.

NOTES TO FINANCIAL STATEMENTS CONTINUED

2 Exceptional items

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

(a) The BHP Billiton Group and Mitsubishi agreed to equalise their interests in the Central Queensland Coal Associates and Gregory joint ventures which involved the BHP Billiton Group selling to Mitsubishi a proportion of its interests resulting in the profit disclosed above.

(b) The BHP Billiton Group has been negotiating with the other shareholders of Ok Tedi Mining Ltd on the terms and conditions related to its exit from Ok Tedi. Based upon the status of these negotiations it has been decided to write-off the BHP Billiton Group's share of Ok Tedi's net assets by way of an impairment of fixed assets (US$148 million after tax and equity minority interests). The BHP Billiton Group has decided to exit its involvement in Ok Tedi and from 1 July 2001 profit from Ok Tedi will be recognised only to the extent that dividends are received by the BHP Billiton Group.

(c) The BHP Billiton Group ceased further investment in HBI Venezuela. Based upon changing operating and market conditions, the plant is not expected to meet the operational and financial performance targets necessary to justify further investment in the project. The total loss on the write-off of the equity investment in HBI Venezuela and the establishment of provisions to cover related financial obligations to banks and other associated costs is US$520 million. The cost of settling financial obligations in excess of the BHP Billiton Group's carrying value of its investment in HBI Venezuela has been included in Group and unallocated items and in the Australian geographical segment.

(d) In addition to its 47% interest in the Mozal aluminium smelter, the BHP Billiton Group owned expansion rights amounting to 85%. During the year it sold expansion rights of 38% to its partners for consideration valued at US$61 million (US$40 million net of tax).

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

3 Analysis by business segment

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

Trading activities comprise the sale of third party product.

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

4 Analysis by geographical segment

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

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

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

Group operating costs include US$926 million in respect of subsidiaries acquired during the year, impacting as follows: decrease in stocks of finished goods and work in progress US$1 million, raw materials and consumables US$84 million, staff costs US$95 million, amortisation of goodwill US$2 million, depreciation of tangible fixed assets US$55 million and other operating charges US$689 million.

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

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

8 Employees

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

9 Taxation	2001 US$m	2000 US$m
(a) Analysis of charge in the period		
UK taxation		
Corporation tax at 30% (2000 - 30%)		
- Current	**223**	230
- Deferred	**(17)**	(68)
less double taxation relief	**(127)**	(100)
	79	62
Australian taxation		
Corporation tax at 34% (2000 - 36%)		
- Current	**299**	301
- Deferred	**66**	(385)
	365	(84)
South African taxation		
Corporation tax at 30% (2000 - 30%)		
- Current	**110**	81
- Deferred	**(40)**	(25)
	70	56
Other overseas taxation		
- Current	**227**	92
- Deferred	**(28)**	41
	199	133
Share of joint ventures' tax charge		
- Current	**80**	55
- Deferred	**(31)**	4
	49	59
Share of associates' current tax change	**3**	-
Witholding tax and secondary taxes on companies	**46**	24
Other taxation	**-**	1
	811	251

Made up of:		
Aggregate current tax		
- Group	**778**	629
- Joint ventures and associates	**83**	55
	861	684
Aggregate deferred tax		
- Group	**(19)**	(437)
- Joint ventures and associates	**(31)**	4
	(50)	(433)
	811	251

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

9 Taxation continued

(c) Factors that may affect future tax charges

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

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

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

Non-depreciated assets

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

The BHP Billiton Group has subscribed for shares in a number of listed companies in connection with option arrangements on exploration projects. The consideration has been allocated to the option and has generally been expensed in accordance with the BHP Billiton Group's accounting policy on exploration. These investments therefore have a book value of US$nil at 30 June 2001 (2000 - US$nil) in the table above and a market value of US$5 million (2000 - US$5 million).

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

BHP Billiton Plc

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

17 Current asset investments	Group 2001 US$m	Group 2000 US$m
Listed investments	**83**	-
Other investments	**132**	111
	215	111

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

Other investments include US$62 million (2000 - US$61 million) held by the Ingwe Environmental Trust Fund. The future realisation of these investments is intended to fund environmental obligations relating to the eventual closure of Ingwe's mines and consequently these investments, whilst under BHP Billiton Group control, are not available for the general purposes of the BHP Billiton Group. All income from these investments is reinvested or spent to meet these obligations. The BHP Billiton Group retains responsibility for these environmental obligations until such time as the former mine sites have been rehabilitated in accordance with the relevant environmental legislation. These obligations are therefore included under provisions for liabilities and charges (refer note 21).

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

(b) Redeemable preference shares include the following:

Billiton SA Limited

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

Beswick Pty Ltd: 'A' Redeemable preference shares

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

Beswick Pty Ltd: 'B' Redeemable preference shares

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

BHP Operations Inc: Preferred stock

Auction market preferred stock

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

Cumulative preferred stock series A

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

BHP Steel (Thailand) Ltd: Preference shares

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

20 Financial instruments

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

BHP Billiton Plc financial risk strategy

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

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

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

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

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

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

BHP Billiton Limited financial risk strategy

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

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

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

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

There are two components to the Portfolio Risk Management strategy:

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

BHP Billiton Group risk exposures and responses

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

Interest rate risk

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

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

Liquidity risk

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

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

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

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

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

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

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

Currency risk

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

Commodity price risk

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

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

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

BHP Billiton Group financial risk strategy

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

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

Financial liabilities – interest rate and currency profile

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

On 23 December 1994, the BHP Billiton Plc Group entered into an interest rate cap agreement maturing 21 September 2001. As at 30 June 2001 the notional amount of debt still covered by the cap was US$11 million. The interest is capped at 8.5%, and the value of the cap at the period end was zero.

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

Financial assets – interest rate and currency profile

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

Currency risk

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

Liquidity exposures

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

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

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

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

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

Borrowing facilities

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

	2001 US$m	2000 US$m
Expiring in one year or less	**492**	529
Expiring in more than two years	**2 266**	2 008
	2 758	2 537

Certain of the BHP Billiton Group's borrowing facilities are subject to financial covenants. The most severe restrictive covenants, which relate to two facilities totalling US$2 750 million (US$1 400 million drawn at 30 June 2001), require that the ratio of debt to shareholders' funds does not exceed 100% and that interest cover does not fall below 2.5 times.

NOTES TO FINANCIAL STATEMENTS CONTINUED

Fair value of financial instruments

The following table presents the book values and fair values of the BHP Billiton Group's financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the BHP Billiton Group could realise in the normal course of business.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

Hedging of financing activities

Forward foreign currency swaps

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

Cross currency interest rate swaps (CCIRS)

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

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

Interest rate swaps

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

Finance lease swap

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

Other hedging

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

- Commodity sales prices. Strategic price hedges are taken out from time to time.
- Input costs. Operating companies hedge non-functional currency operating costs at varying degrees. In addition, strategic hedges of Aluminium input costs are taken out from time to time.
- Capital costs. Non-functional currency capital costs are hedged using forward foreign currency contracts to varying degrees.
- Exchange rates. The BHP Billiton Group has certain hedges in place to mitigate the transaction risk of non-functional currency income and expenditure.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

22 Called up share capital and contributed equity	BHP Billiton Plc 2001 US$m	BHP Billiton Plc 2000 US$m
Authorised share capital		
3 000 000 000 (2000 - 3 000 000 000) ordinary shares of US$0.50 each	**1 500**	1 500
50 000 (2000 - 50,000) 5.5 per cent preference shares of £1 each (a)	**-**	-
1 Special Voting Share (2001:nil) of US$0.50 (b)	**-**	-
1 Equalisation Share (2000 - nil) of US$0.50 (c)	**-**	-
	1 500	1 500
Allotted, called up and fully paid share capital		
2 319 147 885 (2000 - 2 138 032 287) ordinary shares of US$0.50 each (d)	**1 160**	1 069
50 000 (2000 - 50 000) 5.5 per cent preference shares of £1 each	**-**	-
1 Special Voting Share (2000 - nil) of US$0.50 (b)	**-**	-
	1 160	1 069

	BHP Billiton Ltd Group 2001 US$m	BHP Billiton Ltd Group 2000 US$m
Paid up contributed equity (e) (f) (g)		
3 704 256 885 (2000 - 1 781 493 241) ordinary shares fully paid up	**3 039**	4 260
385 000 (2000 - 415 000) ordinary shares paid to seventy one Australian cents (2000 - five Australian cents)	**-**	-
3 656 500 (2000 - 6 286 500) ordinary shares paid to sixty six Australian cents (2000 - one Australian cent)	**-**	-
1 Special Voting Share (2000 - nil) (b)	**-**	-
	3 039	4 260

(a) The 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 preference dividends are six months or more in arrears or a resolution is passed changing the rights of the preference share holders. At 30 June 2001 these shares were held by BHP Billiton Limited.

(b) Each of BHP Billiton Plc and BHP Billiton Limited issued one Special Voting Share to facilitate the joint voting by the 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) In September 2000, 235 million ordinary shares were placed at a price of 265 pence per share. The placing comprised 181.1 million new shares and 53.9 million shares held under the share repurchase scheme (refer note 24).

(e) Contributed equity reduced by US$650 million due to the spin-out of OneSteel Limited. This reflected a capital reduction of A$0.66 per share affecting all ordinary shares outstanding. The spin-out resulted in BHP Billiton Limited shareholders being issued one OneSteel Limited share for every four shares held in BHP Billiton Limited. The spin-out occured prior to the DLC merger.

(f) The DLC merger between BHP Billiton Plc and BHP Billiton Limited was established on 29 June 2001. Under the terms of the DLC merger BHP Billiton Limited issued fully paid bonus shares effective 29 June 2001, with the allotment of shares occuring on 5 July 2001. The table reflects the bonus shares. In addition, 1 025 000 partly paid shares are entitled to 1 091 728 bonus shares on becoming fully paid up.

(g) Contributed equity increased by US$88 million due to the issue of ordinary shares on exercise of Employee Share Plan options and Performance Rights and conversion of partly paid up shares to fully paid up. In addition contributed equity reduced by US$659 million due to exchange variation.

NOTES TO FINANCIAL STATEMENTS CONTINUED

BHP Billiton Limited Employee Share Plan Options

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

BHP Billiton Limited Performance Share Plan

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

BHP Billiton Plc entered into an arrangement under which it contingently agreed to purchase its own shares from a special purpose vehicle (Strand Investment Holdings Limited) established for that purpose. 53 884 402 ordinary shares were purchased in the two years ended to 30 June 2000 at an aggregate purchase price of US$118 million, which were funded by the BHP Billiton Group. The cost of purchasing these shares was deducted from shareholders' funds. There was no intention to trade these shares and no dividends were paid in respect of them outside the BHP Billiton Group. Normally, the Companies Act 1985 requires that interests in own shares be included in the balance sheet as an asset. However, in this case the Directors considered that the arrangements were such that the shares owned by Strand Investment Holdings Limited had effectively been repurchased by the BHP Billiton Group and so did not constitute an asset of the BHP Billiton Group and that to show them as such would fail to show a true and fair view. During the year ended 30 June 2001 these shares were reissued and no shares were held by Strand Investment Holdings Limited at that date.

NOTES TO FINANCIAL STATEMENTS CONTINUED

25 Significant acquisitions and disposals

Acquisitions

(a) Rio Algom

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

(b) Dia Met Mineral Limited

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

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

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

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

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

Disposals

Spin-out of steel business

The long products steel business was spun out with effect from 31 October 2000 as OneSteel Limited. The spin-out was effected by way of a capital reduction of A$0.66 per BHP Billiton Limited share. As a result of this transaction, contributed equity was reduced by US$650 million including the costs of the capital reduction amounting to US$30 million. The spin-out resulted in BHP Billiton Limited shareholders being issued one OneSteel Limited share for every four shares held in BHP Billiton Limited.

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

	Group	
	2001	2000
26 Commitments	**US$m**	US$m
Contracted capital expenditure	**1 434**	594

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

27 Pensions and post-retirement medical benefits

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

The pension charge for the year is as follows:

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

To the extent that there is a difference between pension cost and contributions paid, a prepayment or creditor arises. The accumulated difference provided in the balance sheet at 30 June 2001 gives rise to a prepayment of US$191 million (2000 - prepayment of US$208 million).

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

FRS17 Retirement Benefits

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

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

28 Reconciliation of operating profit to net cash inflow from operating activities

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

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

35 Related parties

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS CONTINUED

36 Contingent liabilities

BHP Billiton Group

Guarantees

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

Ok Tedi Mining Limited

On 7 June 1996, Rex Dagi, Alex Maun and the remaining plaintiffs to Victorian Supreme Court proceedings against BHP Billiton Limited and Ok Tedi Mining Limited (OTML) entered into a Settlement Agreement. The principal terms of the agreement included the following:

– Each of the parties was required to make public announcements in terms agreed among the parties, to commit to the obligations in the public announcements and to support a process to reach agreement with the Lower Ok Tedi village communities.
– BHP Billiton Limited agreed to commit as soon as practicable to the implementation of any tailings option recommended by the independent enquiry or review to be conducted by the State (the tailings option) providing BHP Billiton Limited bona fide considers that option to be economically and technically feasible.
– BHP Billiton Limited's commitment to implement the tailings option is subject to unexpected or unforeseen circumstances which may render the tailings option economically or technically unfeasible; and obtaining all necessary leases and other approvals required from the landowners and the State.

On 11 April 2000, two legal actions were commenced in the Victorian Supreme Court against OTML and BHP Billiton Limited. Rex Dagi is plaintiff in the first action, Gabia Gagarimabu is plaintiff in the second action on his own behalf and on behalf of the remaining parties to the Settlement Agreement. Both actions seek specific performance of the Settlement Agreement and/or an injunction to require the implementation by BHP Billiton Limited and OTML of a tailings pipeline and storage system and damages. However, the plaintiffs have not identified a tailings retention scheme which could feasibly be implemented. OTML and BHP Billiton Limited assert that there has been no breach of the settlement agreement and are defending the claims.

Bass Strait - Longford

Following the 25 September 1998 explosion and fire at Longford, a class action was commenced in the Federal Court of Australia on behalf of Victorian gas consumers and employees stood down by employers during the shortage of gas following those events (together the ''Applicants''). On 12 April 2001 the action was transferred to the Supreme Court of Victoria. The action is against Esso Australia Resources Pty Ltd (Esso). Esso has joined the State of Victoria and various entities associated with the State (together the ''State Entities'') as cross respondents alleging certain failures and contributory negligence on the part of the State Entities. In turn, the State Entities have joined BHP Petroleum (Bass Strait) Pty Ltd ("BHPP") as a further cross respondent, with the effect that if any sums are recovered against the State Entities they will seek contribution from BHPP. The Applicants' alleged losses have not been quantified.

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

In turn, BHPP may have rights against Esso as operator in relation to losses and costs BHPP has incurred in relation to the incident, including under the cross claim by the State Entities. It is unlikely that these issues will be resolved in the near term.

Income tax audit – Non-deductibility of financing costs

As a consequence of an income tax audit conducted by the Australian Taxation Office (ATO), an amount of A$229 million has been subject to litigation.

The dispute concerns the deductibility of financing costs paid to General Electric Company in connection with the BHP Billiton Limited Group's acquisition of the Utah Group in the early 1980's. On 23 November 1999, the Federal Court ruled in favour of the BHP Billiton Limited Group. On 18 October 2000, the Full Bench of the Federal Court ruled in favour of the ATO.

The BHP Billiton Limited Group sought leave to appeal to the High Court of Australia (High Court) and the hearing occurred on 10 August 2001. The High Court has refused the BHP Billiton Limited Group leave to appeal on the general question of deductibility but did allow leave to appeal on the question of whether the ATO had the power to amend the 1985 assessment.

NOTES TO FINANCIAL STATEMENTS CONTINUED

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

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

BHP Billiton Plc

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

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

SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

37 Pro forma financial information under US generally accepted accounting principles

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

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

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

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

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

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

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

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

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

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

SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS
(UNAUDITED) CONTINUED

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

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

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

(i) Purchase premium on acquisition of BHP Billiton Plc

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

(ii) Employee compensation costs

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

(iii) Asset write-downs

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

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

(iv) Hedge accounting

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

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

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

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

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

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

(v) Pension costs

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

(vi) Other

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

SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS
(UNAUDITED) CONTINUED

38 Supplementary oil and gas information

Oil and gas reserves and production

Reserves

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

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

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

Proved developed and undeveloped oil, condensate and LPG reserves (a)

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

Proved developed oil, condensate and LPG reserves (a)

(millions of barrels)	**Australia**	**Asia**	**UK**	**Americas**	**Other** (b)	**Total**
Reserves at 1 July 1999	327.2	8.6	48.5	14.5	-	398.8
Reserves at 30 June 2000	334.2	-	46.3	11.3	-	391.8
Reserves at 30 June 2001	**268.6**	**-**	**40.9**	**9.4**	**-**	**318.9**

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

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

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

SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS
(UNAUDITED) CONTINUED

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

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

(a) Production for Australia includes gas sold as LNG.

(b) 'Asia' consists of PNG, which had liquids reserves only, all of which were sold during 1999–2000.

(c) 'Other' consists of Pakistan.

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

SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS
(UNAUDITED) CONTINUED

Capitalised costs incurred relating to oil and gas producing activities

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

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

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

Costs incurred relating to oil and gas producing activities

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

Property acquisition costs represent costs incurred to purchase or lease oil and gas properties. Exploration costs include costs of geological and geophysical activities and drilling of exploratory wells. Expenditure to drill and equip development wells and construct production facilities to extract, treat and store oil and gas are included in development costs.

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

(a) Represents gross exploration expenditure.

SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS
(UNAUDITED) CONTINUED

Results of operations from oil and gas producing activities

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

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

Revenues are reflected net of royalties but before reduction for windfall profit taxes (these are included in operating costs). Revenues include sales to affiliates but amounts are not significant.

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

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

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

SHAREHOLDER INFORMATION

Twenty largest shareholders as at 29 August 2001

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

Substantial shareholders

BHP Billiton Plc

As at 29 August 2001, BHP Billiton Plc's register of substantial shareholdings showed the following interests in 3% or more of BHP Billiton Plc's shares

	Ordinary shares	%
Rembrandt Group Ltd	189 975 198	8.19%
Sankorp Ltd, a subsidiary of Sanlam	67 730 192	2.92%
Concert party total	257 705 390	11.11%
Industrial Development Corporation of South Africa Ltd	115 200 000	4.97%
Deutsche Bank AG	99 482 143	4.29%

We have been notified that Sankorp Ltd and Rembrandt Group Ltd are parties to an agreement to which Section 204 of the UK Companies Act 1985 applies.

BHP Billiton Limited

The Capital Group Companies, Inc. by notice dated 14 December 2000, advised that it had an interest in 300 878 439 shares. This figure has been adjusted to recognise the bonus issue effective from 29 June 2001. This is the only notification current at 29 August 2001.

SHAREHOLDER INFORMATION CONTINUED

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

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

* In relation to BHP Billiton Limited, the number of shareholders holding less than a marketable parcel ($500) based on the market price of $9.65 as at 29 August 2001 was 8 858.

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

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

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

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

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

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

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

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

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

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

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

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

Manager Investor Relations

BHP Billiton Plc

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

Financial Calendar
2001 *

16 October
Annual General Meeting of BHP Billiton Limited – Melbourne, Australia

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

November
Announcement of results for quarter ending 30 September 2001.

Announcement of dividend payable in December.

2002

February
Announcement of results for half year ending 31 December 2001

May
Announcement of results for quarter ending 31 March 2002

Announcement of dividend payable in June or July.

August
Preliminary announcement of result for the 2002 financial year.

September
Mailing of Annual report

*Timing of events subject to change

4 October 2001

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ERRATA

ANNUAL REPORT & ACCOUNTS

BHP Billiton Plc wishes to draw shareholders' attention to several inaccuracies in the Report and Accounts for the year ended 30 June 2001, which was dated 3 September 2001. Whilst the errors do not relate to material issues, the Company considers it prudent to release corrected versions of the relevant sections and these are set out below: -

1. Review for financial year 2001 Overview

On page 47 of the Accounts, under the above heading, the first line of this section reads "The table on page 48 provides the key financial information for the BHP Billiton Group for the year ended and as at 30 June 2001, comparative with the corresponding period." This should have referred to page 46 and not page 48.

2. Political and charitable donations

On page 55 of the Accounts, under the above heading, we disclose that the BHP Billiton Group made UK charitable donations of US$260 million (2000 : US$378 million) and no political contributions (2000 : nil).

The charitable donations should have been recorded in thousands not in millions. Accordingly, the figures should read US$260,000 (2000 : US$378,000).

3. Long Term Incentive Plans BHP Billiton Plc

On page 64 of the Accounts, under the above heading, the first line reads "Details of awards granted during the year under the Long Term Incentive Plans are set out in Section 5 below". This should refer to Section 3 and not to Section 5.

4. Substantial shareholders

On page 150 of the Accounts, we disclose that Rembrandt Group Limited own 189,975,198 shares in the Company, representing 8.19% of the issued share capital. This is incorrect. As at the record date concerned, the Rembrandt Group did not hold a notifiable interest in BHP Billiton Plc.