

# STABILITY GROWTH VALUE



bhpbilliton

# Stability. Growth. Value . . .

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### About this Report

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

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

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

Copies of the Annual Reports for BHP Billiton Plc and BHP Billiton Limited (Concise Report and Combined Financial Statements) can be found on [www.bhpbilliton.com](http://www.bhpbilliton.com). Shareholders may also request a copy by telephoning 1300 655 140 (within Australia) or (61 3) 9609 4559 (from elsewhere).

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

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

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

# Excellence at the asset level is the foundation of our business

## BHP Billiton is the largest diversified resources company in the world

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

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

1. Zero harm to people and the environment
2. Operating excellence
3. Project evaluation and execution
4. Serving customers best

5. Portfolio management
6. Funding and capital management
7. Value-adding growth
8. Creative thinking, commercial judgement and transaction execution

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

### Aluminium

*'By delivering expansion projects in line with approved milestones, we will strengthen our position as one of the world's leading low-cost producers of aluminium.'*

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### Energy Coal

*'We are moving forward with growth projects to reinforce our low-cost supply position, while building on our capabilities to deliver enhanced customer service.'*

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### Base Metals

*'While tempering production to reflect today's lower demand, we are progressing our development projects in readiness for future recovery in the market.'*

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### Petroleum

*'Following considerable success in meeting our growth objectives, we are progressing our exploration and development activities to underpin future production capability.'*

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### Carbon Steel Materials

*'As well as pushing ahead with our growth projects, we are determined to protect the competitive position and attractive margins we maintain in our key markets.'*

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### Stainless Steel Materials

*'Our focus is on reducing production costs and optimising productivity in order to enhance our position as a leading supplier of quality raw materials to the stainless steel industry.'*

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### **The merged Company**

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

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

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

- The finalisation and publication of our Strategic Framework, which detailed the key value drivers that distinguished us from our competitors and outlined the strategic imperatives that will realise our full potential.
- The Performance measures against which we have invited the market to judge us.
- The approval of 12 new projects involving aggregated capital investment of US\$2.9 billion.
- A number of remarkable successes by our Petroleum exploration teams.

- The successful demerger of BHP Steel.
- A smooth transition of the Chief Executive Officer responsibilities from Paul Anderson to Brian Gilbertson.
- A restructure of the Board that will result in a downsizing from 17 members to 12.

How then do these initiatives transfer into value?

### **Creating value**

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

The mining industry has often been characterised as highly cyclical and has had difficulty covering its cost of capital during economic downturns. However, a close analysis of our 2002 financial results (2001 financial results do not include the BHP Billiton Plc Group) gives an indication of how the Group is delivering on those external value drivers that contribute to sustained share price throughout the cycle.

- Our net operating cash flows were US\$3.7 billion for the year.
- Our strong balance sheet is reflected in key financial ratios – our gearing is 33.7 per cent and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) interest cover was strong at 9.3 times.

- EBITDA was US\$4.7 billion.
- Good progress was made towards the delivery of our merger target of US\$270 million of ongoing benefits by the end of next financial year, with US\$220 million being delivered in this year.

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

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

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

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

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

### Social responsibility

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

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

### Corporate governance

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

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

It is unfortunate that we have witnessed a number of corporate collapses in recent times, which undermines the confidence of investors in reported financial results. What is required now is

for companies like BHP Billiton to demonstrate that we are pursuing a culture of good corporate governance.

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

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

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

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

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

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

### Passing the baton

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

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



Don Argus  
Chairman



#### **An international entity**

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

#### **Stability and growth**

The central tenet of the BHP Billiton business model is that our diversified portfolio of high-quality assets provides more stable cash flows and greater capacity for growth than the traditional resource cyclicals (or indeed many other industrial models). The results of the year provide striking support for this thesis. Despite current price weakness in many of our products, currency fluctuations, and demand-based production cut-backs at some of our major operations, our earnings before interest,

tax, depreciation and amortisation (EBITDA) held steady at around US\$1.2 billion in every quarter. Aggregated over the year, EBITDA was US\$4.7 billion.

Even more striking was our net operating cash flows of US\$3.7 billion, despite the environment of generally lower prices. These strong financials were reflected in other measures: EBITDA interest coverage was 9.3 times in 2002; gearing (net debt to net debt plus equity) declined from 36.5 per cent to 33.7 per cent; and net debt at 30 June 2002 was US\$6.7 billion, a reduction of US\$362 million over the year.

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

#### **The income statement**

The difficult market conditions that prevailed throughout the year, including lower commodity prices and lower sales volumes, were reflected in Group revenue of US\$17.1 billion.

Profit before borrowing costs and tax was US\$3.1 billion for the year.

### Portfolio management

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

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

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

### Progress for Petroleum

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

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

### Merger benefits and cost savings

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

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

### BHP Billiton people

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

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

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



Brian Gilbertson  
Chief Executive

# Financial Performance

# 02

## BHP Billiton Group

US\$ million	2002	2001 <sup>(a)</sup>
Revenue	17 062	12 070
Profit before borrowing costs and tax	3 099	1 735
Net profit	1 695	853
Net operating cash flow	3 724	2 707
Net assets at 30 June	13 153	12 232
EBITDA interest coverage (times)	9.3	9.4
Gearing at 30 June (%)	33.7	36.5
Basic earnings per fully paid ordinary share (US cents)	27.3	30.1
Dividend per ordinary share		
BHP Billiton Plc (US cents)	13.0	
BHP Billiton Limited (US cents)	13.0	
BHP Billiton Limited (Australian cents)		24.7

<sup>(a)</sup> 2001 financial results do not include the BHP Billiton Plc Group, with the exception of net assets and gearing.





Soraya Nasser, Investor Relations, Melbourne, Australia



Chris Torrisi, Metallurgy, Cannington, Australia



Joyce Chuang, Scheduler, Singapore

Mike Anglin, Vice President, Operating Excellence, Melbourne, Australia



Maryann Curavic, Receptionist, London, UK



*BHP Billiton Marketing Hubs*

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

# *The Hague*

1100-HOURS



**Twin marketing hubs**

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

# Singapore

1700-HOURS



## **The Hague**

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

## **Singapore**

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

## Marketing and Financial Risk Management

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### Marketing

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

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

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

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

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

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

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

### Financial Risk Management

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

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

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

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

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

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



*Alison Gilbert, Investor Relations, London, UK*



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



*Julie Jumar, Receptionist, Singapore*



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



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



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

# Review of Operations

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

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

## Growth opportunities/BHP Billiton ownership/share of production

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

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

Aluminium

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

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

Base Metals

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

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

Carbon Steel Materials

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

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

Energy Coal

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

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

Petroleum

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

Stainless Steel Materials

# Aluminium

## Results

Aluminium contributed profit before tax of US\$502 million for the year ended 30 June 2002. As Aluminium was part of the BHP Billiton Plc Group, it did not contribute to results in prior periods.

Principal factors impacting the year's results were lower LME prices and lower production from the Brazilian operations, due to temporary power rationing imposed by the Brazilian Government. These were partially offset by lower LME-linked costs, the impact of favourable foreign exchange rates, operational cost efficiencies and increased production from Mozal and Worsley.

## Markets and operations

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

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

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

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

## Development activities

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

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

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

## HSEC

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

## Outlook

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



Miklos Salamon, President



Antonio Chauque, Furnace Operator, Mozal, Mozambique

	US\$ million
Revenue	2 846
Profit before tax	502
Capital and investment expenditure	291
Net assets	4 690



Neville Hughes, Minesite Service Person, Worsley, Australia



Mphiliseni Mthethwa, Mastman, Hillside, South Africa



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



*Virma Mahomed, Machine Operator, Mozal, Mozambique*

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



## Base Metals

### Results

Base Metals contributed profit before tax of US\$27 million for the year ended 30 June 2002, down from US\$391 million, a decrease of 93.1 per cent compared with the corresponding period.

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

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

In addition, following a reassessment of the Group's asset disposal and closure plans relating to its South West Copper business in the US (where the Group ceased operations in 1999), impairment provisions, principally related to the San Manuel smelter, were increased by US\$171 million. This was offset by a reduction of US\$70 million in provisions relating to the expected timing of site restoration expenditure. Sulphide operations at Tintaya have been suspended until at least January 2003.

A significant charge of US\$31 million recognised the costs of the suspension and a write-down of obsolete equipment.

### Markets and operations

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

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

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

Considering the self-imposed production discipline, our operations did well in maintaining unit operating costs.

A total of 824 300 tonnes of copper were produced at a cash (C1) cost of approximately 41 US cents per pound. Cannington operated well throughout the year, setting record silver production of 35.96 million ounces.

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

### Development activities

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

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

### HSEC

Operations achieved solid gains in all areas of HSEC performance, although three tragic fatalities occurred. 'Towards zero harm' was initiated to help achieve a step change in safety performance and a cardinal rules program initiated. Over 230 employees and contractors were trained in incident investigations to improve our competency in identifying and preventing root causes.

We achieved a significant reduction in our injury frequency rate. Progress was made in implementing local community relations plans, and annual reports on HSEC performance are in progress. Receiving 16 awards from external organisations – Sustainability & Community (5), Environment (3), and Safety (8) – endorses the path we are taking to improve our HSEC performance.

### Outlook

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

	US\$ million
Revenue	1 438
Profit before tax	27
Capital and investment expenditure	579
Net assets	3 415



Brad Mills, President

- 1 Pering (South Africa)
- 2 Cannington (Australia)
- 3 Highland Valley Copper (Canada)
- 4 Selbaie (Canada)
- 5 Escondida (Chile)
- 6 Antamina (Peru)
- 7 Cerro Colorado (Chile)
- 8 Alumbra (Argentina)
- 9 Tintaya (Peru)

*'While tempering production, we are progressing our development projects.'*



*Antofagasta, Escondida, Chile*



*Carlos Rivera, Technical Leader, Escondida, Chile*



*Georgena Shepherd, Charger, Cannington, Australia*



*Glen Campbell, Underground Jumbo Operator, Cannington, Australia*

## Carbon Steel Materials

### Results

Carbon Steel Materials contributed profit before tax of US\$1044 million for the year ended 30 June 2002, up from US\$873 million, an increase of 19.6 per cent compared with the corresponding period.

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

These favourable impacts were partially offset by production cutbacks at Samarco during the year and the temporary closure of the Boodarie Iron plant.

### Markets and operations

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

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

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

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

Manganese alloy production was 619 000 tonnes. Ore production was 3.5 million tonnes. Boodarie Iron production was 1047 million tonnes. Production was temporarily suspended

between March and July due to a tube failure in a gas re-heating furnace. Ramp-up to forecast production levels is continuing.

### Development activities

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

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

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

### HSEC

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

### Outlook

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



Bob Kirkby, President

	US\$ million
Revenue	3 116
Profit before tax	1 044
Capital and investment expenditure	277
Net assets	2 105

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



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



*Mt Whaleback iron ore mine, Newman, Western Australia*



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

## Energy Coal

### Results

Energy Coal contributed profit before tax of US\$493 million for the year ended 30 June 2002, up from US\$128 million, an increase of 285.2 per cent compared with the corresponding period, mainly attributable to the inclusion of the BHP Billiton Plc Group.

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

### Markets and operations

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

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

Production was 82.8 million tonnes. The divestment of PT Arutmin occurred during the period. Modest production cutbacks were also implemented in South Africa, New Mexico and Colombia in response to reduced market demand.

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

### Development activities

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

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

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

### HSEC

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

### Outlook

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

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



Mike Oppenheimer, President



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

	US\$ million
Revenue	2 045
Profit before tax	493
Capital and investment expenditure	294
Net assets	1 823



Johan Coetzee and Bafana Thabethe, Douglas Colliery, South Africa

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



*Dragline, Douglas Colliery, South Africa*

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



## Petroleum

### Results

Petroleum contributed profit before tax of US\$1052 million for the year ended 30 June 2002, down from US\$1475 million, a decrease of 28.7 per cent compared with the corresponding period.

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

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

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

### Markets and operations

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

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

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

### Development activities

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

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

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

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

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

### HSEC

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

### Outlook

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

	US\$ million
Revenue	2 836
Profit before tax	1 052
Capital and investment expenditure	711
Net assets	2 478



Philip Aiken, President

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



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



*Nourredine Baibeche, Safety Officer, Algeria*



*Bream B platform in Bass Strait, Australia*



*Lennox Platform and Offshore Drilling Unit, Liverpool Bay, UK*

## Stainless Steel Materials

### Results

Stainless Steel Materials contributed profit before tax of US\$9 million for the year ended 30 June 2002. As Stainless Steel Materials was part of the BHP Billiton Plc Group it did not contribute to results in prior periods.

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

### Markets and operations

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

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

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

### Development activities

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

### HSEC

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

### Outlook

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



Chris Pointon, President

	US\$ million
Revenue	799
Profit before tax	9
Capital and investment expenditure	84
Net assets	1 696

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



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



*Craig Richardson, Yabulu Refinery, Australia*



*Metal tapping process, Cerro Matoso, Colombia*

# Steel

## Results for the Steel segment

Steel contributed profit before tax of US\$91 million for the year ended 30 June 2002, down from US\$234 million, a decrease of 61.1 per cent compared with the corresponding period. The reduction was mainly due to lower international prices for steel products and the exclusion of operating profits from disposed businesses (primarily OneSteel Limited) which were included in the corresponding period.

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

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

## Overview

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

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

## Markets and operations

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

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

## Leading market positions

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

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

## Performance and management

The Steel segment's profit before depreciation, amortisation, borrowing costs and tax were US\$228 million in the year ended 30 June 2002. Led by Mr Kirby Adams as Chief Executive Officer since March 2000, a strong and experienced management team maintained a strong focus on costs, productivity and working capital. The team offered a well-balanced mix of financial, technical, marketing, operational and strategic management capabilities that proved invaluable in a year when global steel prices were at, or about, historic lows.

## The demerger of BHP Steel

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

Steel segment (to 30 June 2002)	US\$ million
Revenue	2 637
Profit before tax	91
Capital and investment expenditure	100
Net assets	1 875

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



*Kirby Adams, Managing Director and CEO*



*Steel provides inspired product solutions in a wide range of applications*

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

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

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

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

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

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

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

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

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

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

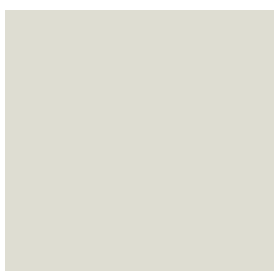
Environmental performance across the Company continued to improve; however, one significant incident occurred at Port Kembla Steelworks. In relation to greenhouse gas emissions, we aim to achieve an improvement in the greenhouse intensity of our operations' emissions and have set ourselves a target of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

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

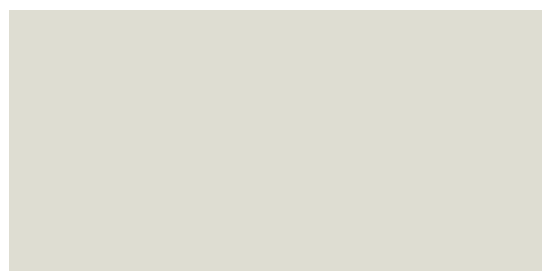
Further details of our HSEC activities are presented in our separate dedicated HSEC Report, which includes specific targets set by the Company together with a scorecard and an expanded summary of our performance. The HSEC Report has been prepared in accordance with the 2002 Global Reporting Initiative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



Colin Bloomfield  
Vice President, Health, Safety and Environment



Graham Evans  
Vice President, Government and Community Relations

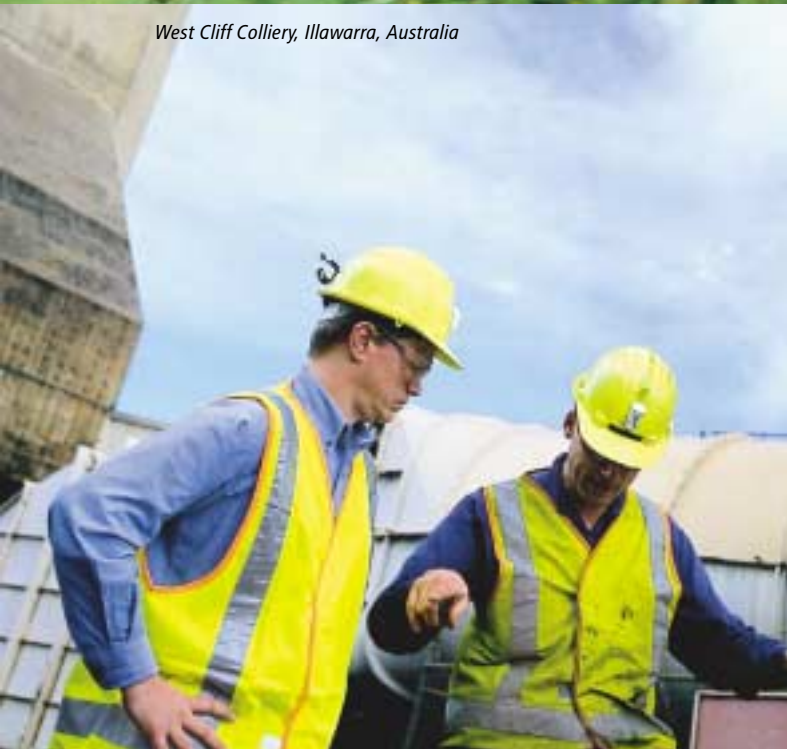




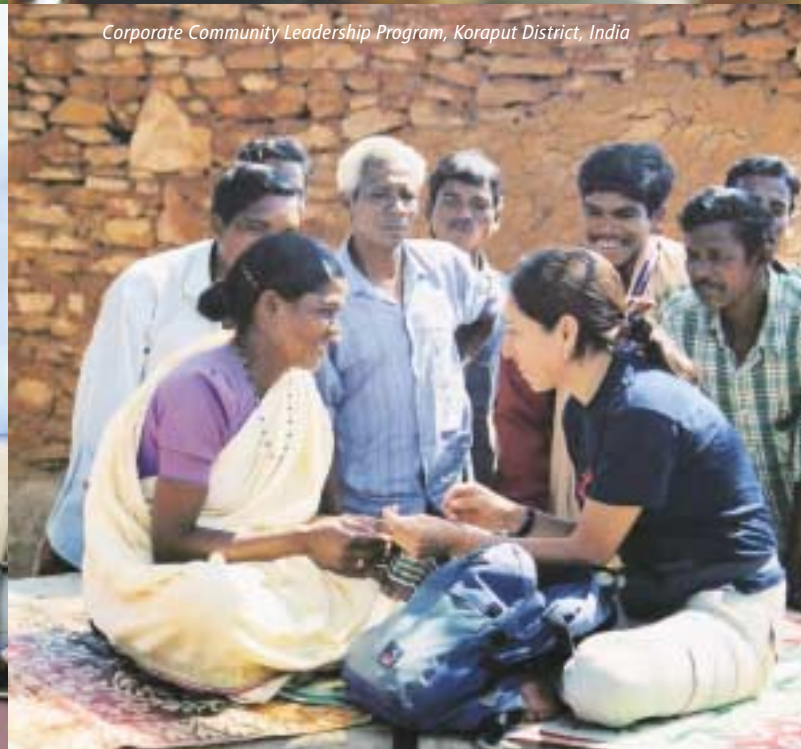
*Nursery, West Coast Fossil Park, Western Cape Province*



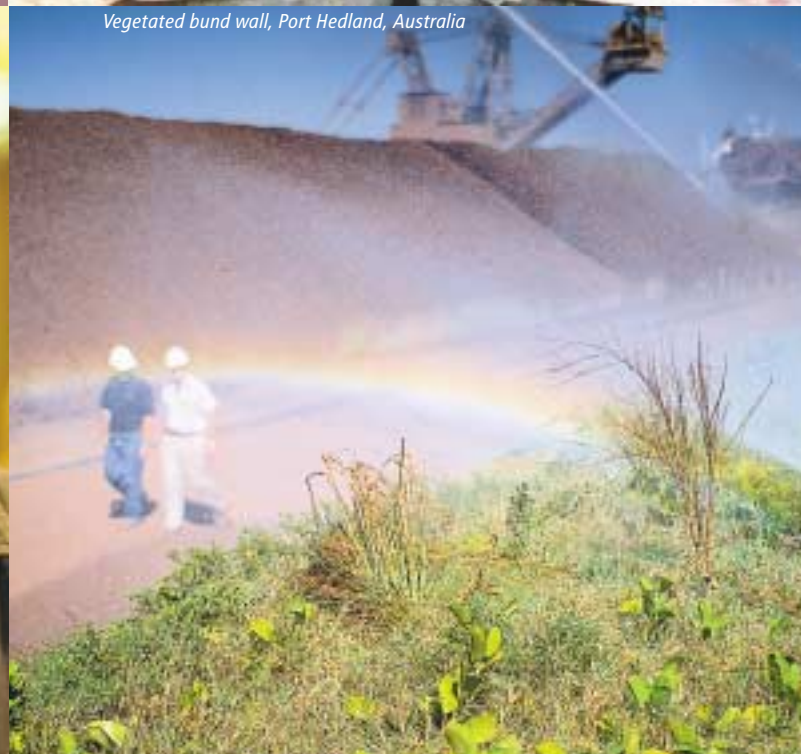
*Ilembe Primary School near Hillside, South Africa*



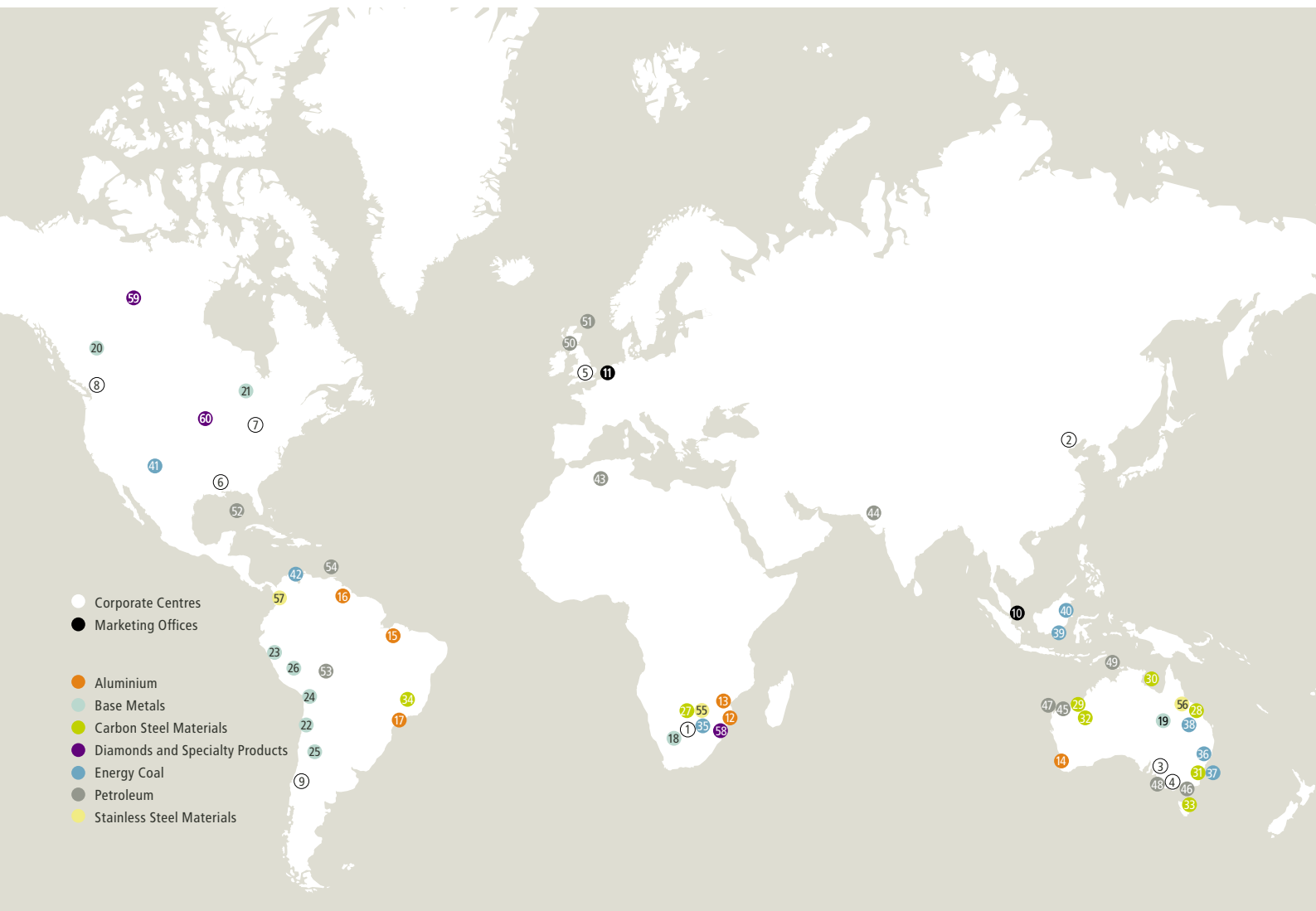
*Trainee Program, Newman, Western Australia*



*Corporate Community Leadership Program, Koraput District, India*



# BHP Billiton Locations



- Corporate Centres
- Marketing Offices
- Aluminium
- Base Metals
- Carbon Steel Materials
- Diamonds and Specialty Products
- Energy Coal
- Petroleum
- Stainless Steel Materials

## Corporate Centres

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

## Marketing Offices

Map Ref	Continent	Location
10	Asia	Singapore
11	Europe	The Hague

## Aluminium

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



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

### Base Metals

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

### Carbon Steel Materials

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

### Energy Coal

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

### Petroleum

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

### Stainless Steel Materials

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

### Diamonds and Specialty Products

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

## Board of Directors

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### **Paul Anderson**

BS (Mech Eng), MBA, 57

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

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

### **Don Argus**

AO, FAIB, FCPA, FAICD, 64

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

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

### **David Brink**

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

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

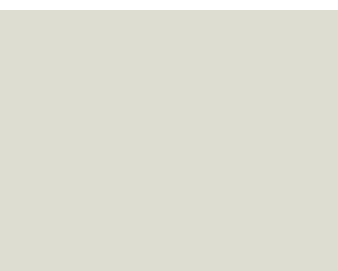
A Director of Billiton Plc since July 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Health, Safety and Environment Committee and a member of the Nomination Committee and Risk Management & Audit Committee. He is Chairman of Murray & Roberts Holdings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

### **Michael Chaney**

BSc, MBA, FAIM, FAICD, 52

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

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



*Paul Anderson*



*Don Argus*



*David Brink*



*Michael Chaney*



*David Crawford*



*Brian Gilbertson*

**David Crawford**

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

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

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

**Brian Gilbertson**

MSc, MBL, 59

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

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

**Charles Goodyear**

BSc, MBA, FCPA, 44

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

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

**Cornelius Herkströter**

CA, 65

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

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

**John Jackson**

BA, LLB, 73

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

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



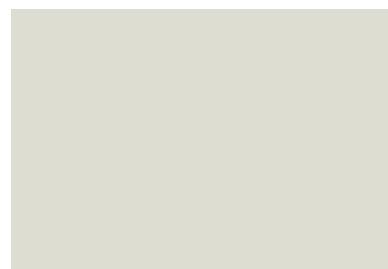
Charles Goodyear



Cornelius Herkströter



John Jackson



## Board of Directors continued

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### **David Jenkins**

BA, PhD (Geology), 63

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

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

### **John Ralph**

AC, FCPA, FAIM, FAICD, FAusIMM, 69

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

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

### **Lord Renwick of Clifton**

KCMG, MA, 64

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

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

### **John Schubert**

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

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

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

### **Company Secretary**

#### **Karen Wood**

BEd, LLB (Hons), FCIS, 46

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



David Jenkins



John Ralph



Lord Renwick of Clifton



John Schubert

## Executive Committee

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### **Paul Anderson**

BS (Mech Eng), MBA, 57

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

### **Philip Aiken**

BE(Chem), 53

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

### **John Fast**

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

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

### **Ian Fraser**

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

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



*Paul Anderson*



*Philip Aiken*



*John Fast*



*Ian Fraser*

## Executive Committee continued

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### **Brian Gilbertson**

MSc, MBL, 59

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

### **Charles Goodyear**

BSc, MBA, FCPA, 44

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

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

### **Bob Kirkby**

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

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

### **Marius Kloppers**

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

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



*Brian Gilbertson*



*Charles Goodyear*



*Bob Kirkby*



*Marius Kloppers*

**Chris Lynch**

BComm, MBA, FCPA, 48

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

**Brad Mills**

MSc Economic Geology, BSc Geology, 47

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

**Mike Oppenheimer**

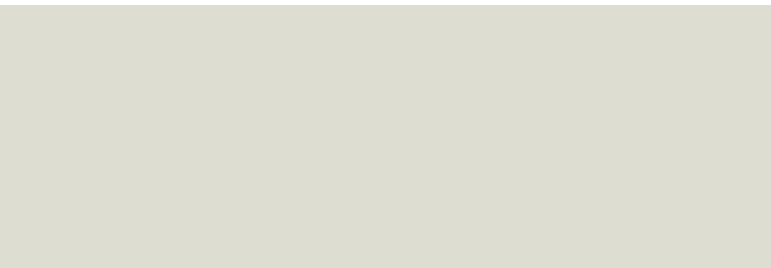
BSc (Chem Eng), 48

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

**Miklos Salamon**

BSc Mining Engineering, MBA, 47

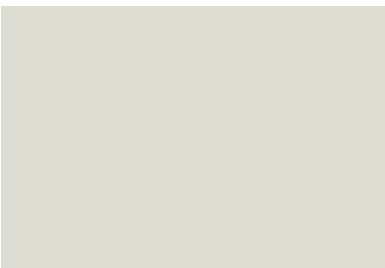
Appointed President and Chief Executive Officer Minerals in June 2001 and, with effect from February 2002, Acting President Aluminium. With effect from July 2002, President Aluminium, Chairman Stainless Steel and Senior Minerals Executive. From July 1997 to June 2001, he served as an executive Director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



Chris Lynch



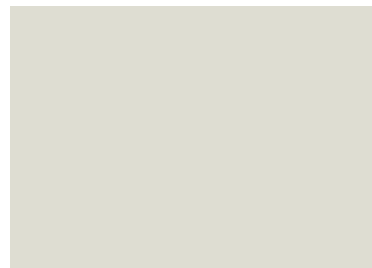
Brad Mills



Mike Oppenheimer



Miklos Salamon



# Corporate Governance Statement

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

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

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

## Shareholders

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

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

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

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

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

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

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

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



## Board of Directors – Composition

### Membership

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

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

#### NAMES OF DIRECTORS IN OFFICE AT THE DATE OF THIS REPORT

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

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

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

### Retirement and re-election

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

Shareholders are also required to ratify, at the next annual general meeting, the appointment of any Director appointed throughout

the year to fill a casual vacancy. At the 2002 Annual General Meetings, shareholders will be asked to ratify the appointment of Mr Charles Goodyear, who was appointed in November 2001.

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

### Independence of non-executive Directors

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

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

Some of the non-executive Directors hold directorships or executive positions in companies with which BHP Billiton has commercial relationships. Details of these directorships and executive positions are set out on page 32 to 34 of this Report. Details of related party transactions are set out in note 9 to the accounts on page 84 of this Report. The Board has considered all of these associations and does not consider that any compromise the independence of the Directors concerned.

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

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

### **Skill and experience**

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

### **Succession planning**

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

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

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

### **Performance appraisal**

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

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

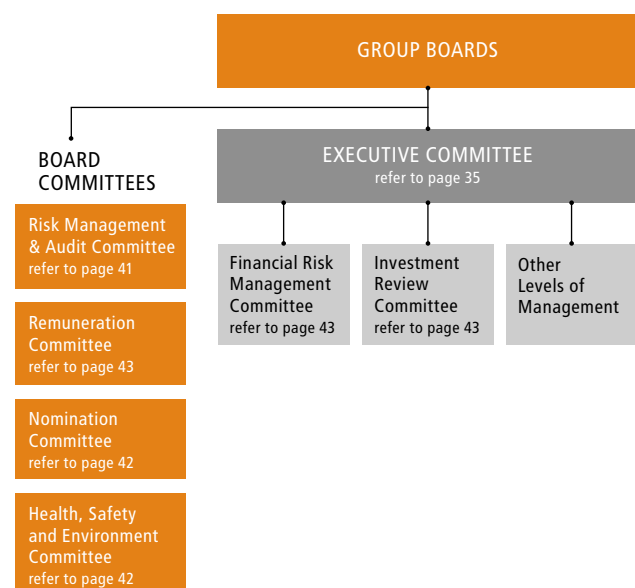
A performance appraisal and Board review is scheduled for early in 2003. The aim is to conduct an objective assessment of the performance of each Director, including the Chairman, and the Board as a whole, and will be facilitated by an independent consultant. The result will provide the Chairman with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

### **Board of Directors – Role**

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

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

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



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

#### **Chairman**

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

#### **Company Secretary**

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

#### **Board of Directors – Meetings**

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

Details of Director attendance at the meetings held during the year are set out on page 63 of this Report.

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

Members of senior management regularly attend meetings of the Board.

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

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

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

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

#### **Committees of the Board**

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

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

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

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

The number of Committee meetings held during the year, and the attendance at those meetings by members is set out on page 63 of this Report.

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

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

#### ***Risk Management & Audit Committee***

##### *Role*

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

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

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

##### *Composition*

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

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

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

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

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

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

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

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

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

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

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

#### *Role*

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

The HSE Committee has responsibility for:

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

#### *Composition*

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

### **Nomination Committee**

#### *Role*

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

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

#### *Composition*

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

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

## **Remuneration Committee**

### *Role*

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

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

### *Composition*

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

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

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

### **Directors' remuneration**

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

### **Share ownership and dealing**

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

Details of the shares held by Directors are set out on page 62 of this Report.

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

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

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

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

## **Management Committees**

### **Executive Committee**

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

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

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

### **Financial Risk Management Committee**

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

### **Investment Review Committee**

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

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

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

The Committee is chaired by the Chief Financial Officer.

## **Accountability and audit**

### **Financial reporting**

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

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

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

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

### **External audit**

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

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

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

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

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

Those reviews include:

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

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

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

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

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

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

Details of the amounts paid to the auditors during the year for audit and other services are set out in note 4 to the financial statements on page 78 of this Report.

### **Internal control**

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

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

### *Assessment of business risk*

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

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

### *Monitoring process*

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

### *Risk Management & Audit Committee*

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

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

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

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

### *Internal audit*

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

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

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

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

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

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

### **Review of effectiveness**

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

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

### **Corporate social responsibility**

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

The Report is published at the same time as the Annual Report. A copy can be reviewed on the website at [www.bhpbilliton.com](http://www.bhpbilliton.com) or obtained by telephoning +61 3 9609 3062.

### **Business conduct and the Charter**

The BHP Billiton Guide to Business Conduct reflects the Charter values of integrity, respect, trust and openness. The Guide provides clear directions and advice on conducting business internationally, interacting with governments, communities and business partners, and general workplace behaviour. It states BHP Billiton's position on a wide range of ethical and legal issues including conflicts of interest, financial inducements, bribery, insider trading and political contributions. Managers and supervisors are held accountable not only for their own business

but also that of their staff. The approach to business conduct reflects the Charter, which itself recognises that lasting success is built on each employee taking responsibility, achieving high performance, delivering on commitments and earning trust. The Guide applies to all employees, regardless of their job or location. Consultants, contractors and business partners are also expected to act in accordance with the Guide.

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

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

### **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.

### **Compliance**

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

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

Copies of both sets of reports and accounts will be posted on the website at [www.bhpbilliton.com](http://www.bhpbilliton.com). Copies can also be obtained by calling +61 3 9609 3062.

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

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

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

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

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

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



# Remuneration Report

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Dear Shareholder

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

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

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



John Jackson

Chairman, Remuneration Committee

Deputy Chairman & Senior Independent Director

9 September 2002

## Remuneration Committee

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

The Committee met six times during the year. The number of meetings attended by members of the Committee is set out on page 63. Throughout the year, Mr Paul Anderson, then Managing Director and Chief Executive Officer, and Mr Brian Gilbertson, then Deputy Chief Executive Officer, attended meetings of the Committee at the invitation of the Chairman and provided advice when called upon to do so. The Group Vice President Human Resources provided advice and assistance to the Committee as required. None of these employees were present when matters associated with their own remuneration were being considered. Throughout the year, the Committee made use of advice from external professional consultants to provide various consulting services. These were Hay Group, PricewaterhouseCoopers, KPMG, Andersen, Towers Perrin and Hewitt Bacon & Woodrow.

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

The numerical disclosures in this Remuneration Report have been audited.

## Group remuneration policy

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

The key principles that underpin Group remuneration policy are:

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

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

### 1 Base salary

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

### 2 Incentive plans

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

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

### ***Proposed Group Incentive Scheme***

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

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

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

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

### ***Eligibility***

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

### ***Bonus amount***

The bonus amount awarded to an executive under the GIS in any year will be determined by reference to specific targets (personal,

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

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

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

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

### ***Deferred shares***

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

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

### ***Option alternative***

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

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

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

#### *Performance shares*

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

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

#### *Minimum shareholding*

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

#### *Transition year*

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

Under this proposal, executives would receive performance shares under the GIS in this year. As mentioned above, performance shares are subject to demanding performance hurdles (benchmarked TSR determining the final vesting amount and an EPS underpin that has to be met if any performance shares are to vest). The proposed value of the performance

shares to be issued in the transition year are no greater than the total value of annual long-term incentive awards made under current plans.

#### ***Adjustments to pre-merger incentive plans***

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

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

#### **3 Post-retirement benefits**

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

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

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

## Remuneration Report continued

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

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

### Executive Directors' and senior executives' remuneration

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

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

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

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

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

### 1 Remuneration

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

Comparative information for 2001 is shown for executive Directors. Details of payments to former executive Directors are also provided.

#### EXECUTIVE DIRECTORS

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

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

<sup>(a)</sup> Mr Anderson was paid an additional sum of US\$5 140 601 after the end of the financial year in connection with the cessation of his employment.

<sup>(b)</sup> Total remuneration paid to Mr Goodyear while a Director of the Company was US\$1 285 402. This was made up of Base salary US\$408 618, Annual Cash Bonus US\$562 330, Other Benefits US\$314 454.

#### FORMER EXECUTIVE DIRECTORS

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

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

**FIVE HIGHEST PAID OFFICERS (OTHER THAN DIRECTORS)**

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

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

**Annual cash bonus**

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

**Deferred cash bonus**

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

**Other benefits**

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

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

Under the terms of his employment arrangements with BHP Billiton Services Jersey Limited, Mr Brian Gilbertson occupied a

flat in London (owned by a BHP Billiton Group company) rent-free until 6 November 2001. On 7 April 2001 he was granted an option to purchase the property at open market value. That option expired on 6 October 2001 and was not renewed.

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

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

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

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

Mr Anderson was provided with a benefit following the Remuneration Committee's review of his remuneration and Mr Gilbertson's remuneration to ensure parity as stated in last year's Annual Report. Mr Gilbertson and Mr Goodyear are entitled to certain benefits including medical insurance, permanent health insurance, car allowance and the use of certain BHP Billiton Group facilities and benefits. Mr Goodyear also receives a tax impact allowance, which is designed to compensate him for any additional tax payable on his personal assets as a result of his move from the US to Australia and subsequently the UK.

## Remuneration Report continued

### **Termination payments**

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

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

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

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

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

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

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

### **Retirement benefits**

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

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

### **Short-term share-based compensation**

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

### **Long-term share-based compensation**

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

### **Share awards granted**

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

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

### **2 Retirement benefits of executive Directors**

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

#### ANNUAL PENSION ENTITLEMENTS UPON REACHING RETIREMENT AGE

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

### **Mr Gilbertson**

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

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

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

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

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

### **Mr Anderson**

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

### **Mr McNeilly**

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

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

### **Mr Goodyear**

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

## **3 Service Contracts**

### **Mr Anderson**

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

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

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

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

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

### **Mr Gilbertson**

Mr. Gilbertson has contracts of employment with:

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

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

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

## **Mr Goodyear**

Mr Goodyear has contracts of employment with:

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

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

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

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

## **Mr McNeilly**

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

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

## **4 Executive Directors' interests in long-term incentive plans and other share schemes**

The following tables set out details of executive Directors' interests in share plans including the number of shares awarded in the financial year ended 30 June 2002.

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

### **BHP Billiton Plc**

#### **Restricted Share Scheme**

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

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

The performance hurdles attached to the Restricted Shares issued in November 2001 relate to a global comparator group of companies. The BHP Billiton Plc Group's performance in terms of TSR is measured against this group of companies and the UK Retail Price Index to determine if the performance hurdles have been achieved. Regarding the Restricted Shares that were issued as long-term incentives, if the hurdles are not achieved by 30 September 2004 then 75 per cent of the Restricted Shares lapse. The performance hurdles are measured again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, then the remaining 25 per cent of the Restricted Shares lapse. These Restricted Shares only vest to the extent rights under the BHP Billiton Limited Performance Share Plan are exercisable based on those performance hurdles.

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

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



## BHP Billiton Plc

### RESTRICTED SHARE SCHEME

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

### CO-INVESTMENT PLAN

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

#### Co-Investment Plan

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

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

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

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

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

If both performance hurdles are achieved at the end of the first performance period, the corresponding number of matching awards will vest. At this time, the participant has the option to remain within the Plan and enter the second performance period or leave the Plan. If the participant opts to leave the Plan at this stage, committed shares will be released together with any shares under the matching award that may have vested. All remaining shares under the matching award will then lapse.

If a participant chooses to remain in the Plan, the second performance period will be relevant and there will be an

opportunity for more shares to be awarded under the matching award, subject to performance conditions being met at the end of the four-year period. Shares only vest to the extent rights vest under BHP Billiton Limited's Medium Term Incentive Plan.

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

#### BHP Billiton Limited

##### Performance Share Plan

The performance hurdles attached to offers of Performance Rights issued in November 2001 relate to a global comparator group of companies. The BHP Billiton Limited Group's performance in terms of TSR is measured against this group of companies and the Australian Consumer Price Index to determine if the performance hurdles have been achieved. Regarding the Performance Rights which were issued as long-term incentives, if the hurdles are not achieved by 30 September 2004, then 75 per cent of the Performance Rights lapse. The performance hurdles are measured again at 30 September 2005 and 30 September 2006 and, if the hurdles are not achieved, then the remaining 25 per cent of the Performance Rights lapse. These rights only become exercisable to the extent rights under the BHP Billiton Plc Restricted Share Scheme are exercisable, based on those performance hurdles. The share price at the end of the year was A\$10.30 and the highest and lowest prices during the year were A\$12.49 and A\$7.87 respectively.

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

# Remuneration Report continued

## BHP Billiton Limited

### PERFORMANCE SHARE PLAN

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

(1) Includes accrued bonus shares issued as a result of the DLC Merger Bonus Issue 5 July 2001.

(2) At 30 June 2002 nil rights were exercisable.

(3) 127 400 performance shares were granted on 8 November 2001 prior to Mr Goodyear's appointment as an executive Director.

(4) 321 165 shares under Performance Rights held by Mr Anderson during the year. Mr McNeilly exercised no Performance Rights whilst an executive Director.

### EMPLOYEE SHARE PLAN

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

(1) Includes accrued bonus shares issued as a result of the DLC Merger Bonus Issue 5 July 2001.

(2) Represents exercise price (pre-adjustment for BHP Steel capital reduction 5 July 2002) divided by bonus factor.

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

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

#### Employee Share Plan

Mr Anderson was issued with 1 000 000 options and Mr McNeilly with 250 000 options under the BHP Billiton Limited Employee Share Plan after approval by shareholders in the BHP Billiton Limited General Meeting on 26 February 1999. The options were not exercisable before 23 April 2002 and were subject to performance hurdles. The performance hurdle related to BHP

Billiton Limited's total shareholder return relative to comparator groups of companies. Performance against the hurdle was first measured during the year ended 30 June 2002 and the options became fully exercisable. The options expire on 22 April 2009.

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

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

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

### BHP BILLITON EXECUTIVE SHARE SCHEME

Name	Number of shares	
	30 June 2002	30 June 2001
R J McNeilly	1 763 731 <sup>(1)</sup>	1 763 731 <sup>(1)</sup>

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

## Remuneration of non-executive Directors

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

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

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

- a base fee of US\$60 000 per annum (payable from 1 July 2001)
- a fee of US\$1000 for each meeting attended (payable from 1 January 2002)

- a fee of US\$7500 to the chairman of a Committee of the Board (payable from 1 July 2001)
- a travel allowance of US\$1000 for air travel that is more than four hours but less than 12 hours and US\$2500 where air travel is more than 12 hours.

The Chairman's remuneration was fixed at four times the base fee for non-executive Directors. He does not receive any additional fees for chairing the Nomination Committee, or any Board meeting attendance fees.

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

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

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

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

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

## Remuneration Report continued

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

At the time of the merger, the Boards recognised that best practice had moved away from such plans and it was agreed that no new entrants would be admitted. This included the Directors of Billiton Plc who did not join the plan, notwithstanding that they had become Directors of BHP Billiton Limited under the terms of the merger. The Board has resolved to formally close the plan and to continue it only for so long as the current participants remain on the Board. In so doing, all of the current participants have voluntarily agreed to limit the quantum of benefits that will accrue to those calculated by reference to the old remuneration

rate of A\$110 000 (with the exception of the Chairman whose former rate is A\$440 000) adjusted only by the same percentage as any increase in the new remuneration rates.

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

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

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

### RETIREMENT REMUNERATION – NON-EXECUTIVE DIRECTORS

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

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

Aggregate remuneration of the Directors of BHP Billiton in accordance with UK Generally Accepted Accounting Principles (not required to be included but is shown here for information) is set out in the table below.

### AGGREGATE DIRECTORS' REMUNERATION

	2002 US\$M	2001 US\$M
Emoluments <sup>(a)</sup>	9	10
Emoluments of Mr Kesler who resigned in 2001	–	1
<b>Total emoluments</b>	<b>9</b>	<b>11</b>
Termination payments	2	2
Gains on exercise of share options	–	–
Awards vesting under long-term incentive plans (highest paid Director 2002: US\$7 million; 2001: US\$0.5 million)	9	5
Contributions payable under defined contribution pension arrangements	–	–
	<b>20</b>	<b>18</b>

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

# BHP BILLITON CHARTER

WE ARE BHP BILLITON, A LEADING GLOBAL RESOURCES COMPANY.

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

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

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

**We value:**

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

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

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



Brian Gilbertson  
Chief Executive

1 July 2002



# Directors' Report

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

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

Shortly after the end of the financial year, the Group withdrew from steel production and processing through the demerger of BHP Steel Limited, which is described on pages 5, 26 and 78. Apart from this, there were no significant changes in the nature of the Group's principal activities during the financial period.

A review of the Group's operations during the financial period and the results of those operations appear in the Chairman's Review, the Chief Executive's Report, the Review of Operations, the Customer Sector Group Reviews and other material in this Annual Report.

Significant changes in the state of affairs of the Company that occurred during the financial period are as follows:

- The approval of construction of the Mount Arthur North open-cut thermal coal mine in the Upper Hunter Valley, a high-value brownfield expansion of the existing BHP Billiton Bayswater mine.
- The merger of Alcoa's North American metals distribution business, Reynolds Aluminium Supply Company, with the BHP Billiton Group's North American metals distribution business, Vincent Metals Goods in the US and Atlas Ideal Metals in Canada.
- The achievement of commercial production by the Antamina copper-zinc project in northern Peru more than four months ahead of schedule.
- The sale of an 80 per cent interest in the PT Arutmin Indonesia energy coal mining operations in Kalimantan, Indonesia.
- The approval of construction of a fourth Bass Strait gas pipeline from the Bream field into the BHP Billiton/Esso joint venture's Gippsland production network, allowing production of gas reserves currently being re-injected into the Bream reservoir and accelerating the production of around 30 million barrels of hydrocarbon liquid over a 10-year period.
- The approval of construction of the Dendrobium metallurgical coal mine in the Illawarra Coal region of New South Wales. Dendrobium will have the capacity to produce 5.2 million tonnes of raw coal per annum.
- The acquisition of all of the ownership interest in International Colombia Resources Corporation by a consortium comprising subsidiaries of BHP Billiton, Anglo American plc and Glencore International AG.

- The completion of withdrawal from the Ok Tedi Copper mine in PNG with the transfer of BHP Billiton's 52 per cent equity stake to PNG Sustainable Development Program Limited, an independent company that will operate for the benefit of the PNG people.
- The approval of the expansion of the Hillside Aluminium Smelter, adding a further 132 000 tonnes per annum of primary aluminium capacity to the smelter at Richards Bay, South Africa.
- The taking of equity ownership in two limited liability companies that will transport hydrocarbons from the Group's recently sanctioned Mad Dog oil and gas development and its Atlantis discovery, in the Gulf of Mexico.
- The approval of the development of a new iron ore mine at Mining Area C and the expansion of port and rail facilities at Port Hedland, both in the Pilbara region of Western Australia.
- The approval of the development of the Atlantis oil and gas field in the Gulf of Mexico.
- The approval for development of the Minerva gas field in the offshore Otway Basin, Victoria, Australia.

The demerger of BHP Steel Limited from BHP Billiton Limited occurred on 22 July 2002 (for accounting purposes, the effective date was 1 July 2002). Apart from this, no matter or circumstance has arisen since the end of the financial period that has significantly affected or may significantly affect the operations, the results of operations or state of affairs of the Group in future years.

Likely developments in, and the expected results of, the operations of the Group in future financial years are referred to elsewhere in this Annual Report. The Directors believe that to include further information on those matters would be likely to result in unreasonable prejudice to the Group.

Particulars in relation to environmental performance are referred to in the table on page 62.

No proceedings have been brought on behalf of the Company, nor any application made under section 237 of the Corporations Law.

Rule 146 of the BHP Billiton Limited Constitution and Article 146 of the BHP Billiton Plc Articles requires each Company to indemnify each Director, secretary or executive officer of BHP Billiton Limited and BHP Billiton Plc respectively, to the extent permitted by law, against liability incurred in, or arising out of, the conduct of the business of the Company or the discharge of the duties of the Director, secretary or executive officer. The Directors named on pages 32 to 34, executive officers and the secretary of BHP Billiton Limited and BHP Billiton Plc have the benefit of this requirement, as do people who formerly held one of those positions.

The Group has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the

Group. In addition, in May 2002 the Group approved a policy to indemnify the Chairs of the Customer Sector Group Risk Management & Audit Committees in the same manner as employees of BHP Billiton are indemnified. In July 2002, the Group also approved a policy to indemnify employees who work in certain high-risk countries against the risk that their life insurance may be invalid or the terms of cover varied, due to the high-risk nature of the location in which they work.

As previously reported, BHP Billiton Limited has entered into deeds of indemnity with each of its Directors, in terms of the indemnity provided under BHP Billiton Limited's Constitution. Deeds of indemnity were also entered into between BHP Billiton Plc and each of its Directors during the 2001–2002 financial year, in terms of the indemnity provided under BHP Billiton Plc's Articles.

The Group has insured against amounts that it may be liable to pay to Directors, secretaries or certain employees pursuant to Rule 146 of BHP Billiton Limited's Constitution and Article 146 of BHP Billiton Plc's Articles, or that it otherwise agrees to pay by way of indemnity. The insurance policy also insures Directors, secretaries and certain employees of the Group against certain liabilities (including legal costs) they may incur in carrying out their duties for the Group.

The Group is able to disclose that it has paid premiums for this 'Directors and Officers' insurance of approximately US\$1 250 000 for the year ended 30 June 2002. Additional premiums have been paid, which BHP Billiton is prohibited from disclosing under the terms of the insurance. Some Directors, secretaries and employees contribute to the premium for this insurance.

The Directors of BHP Billiton Limited and BHP Billiton Plc at the date of this Report, and details of their qualifications, experience and special responsibilities, are set out on pages 32 to 34. The number of meetings of the Board of Directors and each Board Committee held during the financial period, as well as each Director's attendance at those meetings, are set out in the table on page 63.

The table on page 62 sets out the relevant interests in shares in BHP Billiton Limited and BHP Billiton Plc for the Directors of BHP Billiton Limited and BHP Billiton Plc at the beginning and end of the financial year and at the date of this Annual Report. The rights or options over shares in BHP Billiton Limited and BHP Billiton Plc held by each executive Director are set out in the tables on pages 55 to 56. No rights or options over shares are held by any of the non-executive Directors.

The Group has not made available to any Director any interest in a registered scheme.

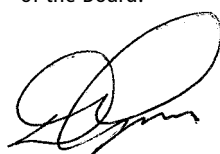
A discussion of the broad policy for determining the nature and amount of emoluments of Directors and senior executives of the Group, and a discussion of the relationship between that policy and the Group's performance, appears in the Remuneration Report on pages 47 to 49.

The following details appear in the tables on pages 50 and 51:

- The nature and amount of each element of the emolument of each Director of BHP Billiton Limited and BHP Billiton Plc, and each of the five officers of the Group receiving the highest emolument.
- Options that may be satisfied either by the acquisition of shares on market or by the issue of shares that have been granted during, or since the end of, the financial period as part of the remuneration of the executive Directors of BHP Billiton Limited and BHP Billiton Plc and of the five most highly remunerated officers of the Group. No such options have been granted during the period to the non-executive Directors of either company.

The Company is a company of a kind referred to in Australian Securities and Investments Commission Class Order No. 98/100, dated 10 July 1998. Amounts in this Report, excepting estimates of future expenditure, or where otherwise indicated, have been rounded off in accordance with that Class Order; that is, rounded to the nearest million dollars.

The Directors' Report is made in accordance with a resolution of the Board.



D R Argus  
**Chairman of Directors**



Brian Gilbertson  
**Chief Executive**

Dated: 9 September 2002

## FINES, PROSECUTIONS AND ENVIRONMENTAL INCIDENTS

BHP Billiton Business	Fines and Prosecutions	Environmentally Significant Incidents
Steel	<ul style="list-style-type: none"> <li>Port Kembla Steelworks, New South Wales, Australia, in September 2002 received a US\$31 397 fine for an overflow which resulted in an out-of-specification water discharge. The incident occurred in March 2000.</li> <li>Port Kembla Steelworks, New South Wales, Australia, received an on-the-spot fine of US\$785, following an untreated gas emission.</li> </ul>	<ul style="list-style-type: none"> <li>A significant environmental incident occurred at Port Kembla Steelworks in October 2001, due to an overflow of out-of-specification water to a local watercourse.</li> </ul>

### Performance in relation to environmental regulation

The Group's performance in relation to environmental regulation is measured by:

- the number and amount of prosecutions incurred by the Group's global operations
- the number of environmentally significant incidents (including non-compliances) that occurred in the Group's global operations – an environmentally significant incident is one with a severity rating of 3 or above based on the Group's internal severity rating scale (tiered 1 to 5 in terms of increasing severity).

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

## DIRECTORS' SHARE INTEREST

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

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

(2) Resigned 30 June 2002.

(3) Includes shares held in name of spouse.

(4) Held in the form of 41 302 American Depository Shares.

(5) Appointed to Board on 29 November 2001, at which date he held 82 604 shares.



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

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

\* Appointed to Board 29 November 2001.

# Retired from Board 16 October 2001.

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

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

Retired as at 30 June 2002 – Mr B C Alberts, Mr J C Conde, Mr D L Keys, Mr B D Romeril.



# Concise Financial Statements

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## Discussion and Analysis

### Basis of presentation of financial information

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed company, and BHP Billiton Plc (previously known as Billiton Plc), a UK 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 Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the BHP Billiton Group) from 29 June 2001, with neither assuming a dominant role.

### Accounting and Reporting on the DLC Merger

In accordance with the Australian Investments and Securities Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', and an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, this financial information presents the financial results of the BHP Billiton Group as follows:

- Results for the year ended 30 June 2002 are of the combined entity including both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies;
- Comparative period results are of BHP Billiton Limited and its subsidiary companies only, except for the Statement of Financial Position as at 30 June 2001 which includes both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies; and
- Results are presented in US dollars unless otherwise stated.

The BHP Billiton Limited Annual Report 2002 – Combined Financial Statements and the single entity financial statements of BHP Billiton Limited are available on the Company's website ([www.bhpbilliton.com](http://www.bhpbilliton.com)) and are available to shareholders on request free of charge.

### Results for financial year 2002

#### Overview

The financial results for the year ended 30 June 2002 for the BHP Billiton Group demonstrate the financial strength of the merged group, exemplified by strong operating cash flow generation and underlying balance sheet strength.

Net profit attributable to members of the BHP Billiton Group for 2002 of US\$1 648 million was an increase of 49 per cent from the previous year (2001: US\$1 109 million). Earnings per share were 27.3 US cents (2001: 30.1 US cents).

#### Profit before borrowing costs and tax

Profit before borrowing costs and tax was US\$3 099 million compared with a profit of US\$1 735 million for 2001.

Excluding significant items (refer below), profit before borrowing costs and tax was US\$3 311 million compared with a profit of US\$2 640 million for 2001.

The following represents major factors affecting profit before borrowing costs and tax (excluding significant items and outside equity interests) for the year ended 30 June 2002:

- The inclusion of financial results for the BHP Billiton Plc Group.
- Lower prices for crude oil, copper, diamonds, silver and zinc were partly offset by higher prices for metallurgical coal, energy coal, and gas.

- Lower sales volumes from Base Metals, Carbon Steel Materials, Petroleum products and Energy Coal businesses.
- Lower price linked costs were mainly due to lower royalties and taxes for petroleum products together with lower costs for London Metals Exchange (LME) listed commodities partially offset by increased royalty costs at metallurgical coal operations mainly reflecting higher metallurgical coal prices.

Merger benefit initiatives generated net cost savings during the year.

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

- New and acquired operations that contributed to the current period include commencement of production of petroleum from Typhoon (US), Zamzama (Pakistan) and Keith (North Sea), and the acquisition of an additional 29 per cent interest in the Ekati™ diamond business.
- Steel profits (excluding OneSteel Limited) reduced by approximately US\$130 million. The corresponding period included contribution to profit before borrowing costs and tax of approximately US\$125 million from a higher ownership interest in metallurgical coal (Queensland), the sale of Buffalo oilfield (Australia), spun-out steel operations (OneSteel Limited), and the Ok Tedi copper mine (PNG), partly offset by losses from HBI Venezuela. The current period included a lower contribution from PT Arutmin Indonesian Energy Coal operations due to sale of the business in November 2001.
- Profits from asset sales were higher than the corresponding period mainly due to the profit on sale of PT Arutmin Energy Coal operations in Indonesia.
- Exploration charged to profit was approximately US\$287 million, and included the write-off of La Granja copper exploration activities (Peru), together with increased petroleum activity in the Gulf of Mexico.

#### Significant items

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

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

Sulphide operations at Tintaya (Peru) have been suspended until at least January 2003. A charge of US\$31 million recognised the costs of the suspension and a write-down of obsolete equipment.

In June 2002 a change in legislation increased the corporation taxation rate for oil and gas companies in the United Kingdom from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated, with an adverse impact of US\$56 million on the full year's results. The tax effects of other significant items were a benefit of US\$24 million.

Excluding significant items, net profit attributable to members of the BHP Billiton Group for 2002 of US\$1 892 million was a decrease of 0.9 per cent from the previous year (2001: US\$1 909 million).

The major significant items before taxation for the year ended 30 June 2001 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;
- US\$430 million from the write-off of the Ok Tedi copper mine;
- US\$37 million related to merger transaction costs; and
- US\$46 million related to organisational restructuring costs and provisions mainly related to the merger.

These items are partially offset by a US\$128 million profit from sale of interests in the Central Queensland Coal Associates (CQCA) and Gregory Joint Ventures to Mitsubishi. A taxation charge of US\$33 million was incurred for non-deductibility of financing costs as a consequence of an income tax audit. The tax effects of other significant items were a benefit of US\$138 million.

#### **Borrowing costs**

Borrowing costs were US\$449 million, impacted by an improved credit rating, higher average debt levels (impacted by the inclusion of the BHP Billiton Plc Group) and lower market interest rates.

#### **Taxation**

The tax charge for the year was US\$955 million, representing an effective rate of 36.0 per cent. This rate is above the nominal rate of 30 per cent mainly due to non tax-effected losses in the current year, non-deductible accounting depreciation and amortisation, and secondary taxes on dividends paid and payable by South African entities, partly offset by the recognition of prior year tax losses.

#### **Comparison to results under UK GAAP**

As a consequence of the DLC merger, the BHP Billiton Limited Group and the BHP Billiton Plc Group have aligned accounting policies, as far as is possible, to minimise differences and simplify determination and reporting of the combined results. The item where alignment is not possible in terms of UK and Australian GAAP and which impacts the year ended 30 June 2002 is described below.

Under UK GAAP, until 30 June 1998 goodwill arising upon acquisition was written off directly against equity. Subsequently and currently under UK GAAP, goodwill is to be retained as an asset and amortised. This current treatment is consistent with that required under Australian GAAP. As of 30 June 1998, the BHP Billiton Plc Group had written off a net amount of goodwill of US\$513 million directly against equity. For Australian GAAP reporting on a combined basis, this goodwill is reinstated on the Statement of Financial Position as an intangible asset, with a corresponding credit to equity. The net balance at 30 June 2002 (after amortisation) is US\$471 million and the impact on the Australian GAAP Statement of Financial Performance is a charge to profit of US\$42 million (no tax effect) for the year ended 30 June 2002. Thus, the attributable profit of the BHP Billiton Group of US\$1 690 million under UK GAAP compares to that recorded by the BHP Billiton Group of US\$1 648 million for the same period under Australian GAAP.

#### **Cash flow**

Operating cash inflows for the year were US\$3 724 million with a total cash outflow of US\$9 million.

Expenditure on growth projects of US\$1 590 million, including Escondida Phase IV, the ROD oil and Ohanet wet gas projects in Algeria, Mozal II and Petroleum projects in the Gulf of Mexico and exploration expenditure of US\$390 million, was an increase of US\$114 million from the prior year. Combined with maintenance capital expenditure and investment expenditure on Colombian coal assets and Ekati™, partially offset by proceeds from the sale of PT Arutmin, this contributed to an investing cash outflow of US\$2 538 million.

After dividend payments of US\$831 million, financing cash outflows were US\$1 195 million.

#### **Portfolio management**

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

During the year the BHP Billiton Group also finalised its responsible exit from the Ok Tedi copper mine in Papua New Guinea, in the process establishing a fund to support its future social and economic development of the people of Papua New Guinea and, in particular of the Western Province. The BHP Billiton Group also announced the sale of its interest in the PT Arutmin Indonesia Energy Coal operations, and the acquisition, in conjunction with its partners, of the 50 per cent interest in Cerrejon Zona Norte Energy Coal mine in Colombia, bringing its interest to 33 per cent.

#### **Balance sheet**

Net assets for the BHP Billiton Group were US\$13 153 million at 30 June 2002, an increase of US\$921 million from the 30 June 2001 position.

Equity shareholders' funds for the BHP Billiton Group were US\$13 153 million at 30 June 2002, an increase of US\$921 million from the previous year. Net borrowings for the BHP Billiton Group were US\$6 681 million at 30 June 2002.

As a consequence of the above, the gearing ratio decreased to 33.7 per cent compared with 36.5 per cent for the previous year.

## Discussion and Analysis continued

### Currency

Currency fluctuations affect the Statement of Financial Performance in two principal ways.

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

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

### Capital management

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

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

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

### Dividends

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

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

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

# Statement of Financial Performance

for the financial period ended 30 June 2002 (a)

	Notes	2002 US\$M <sup>(b)</sup>	2001 US\$M <sup>(c)</sup>	2000 US\$M <sup>(c)</sup>
<b>Revenue from ordinary activities</b>				
Sales revenue		15 896	11 134	13 534
Other revenue		1 166	936	1 341
	5	17 062	12 070	14 875
<i>deduct</i>				
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs		12 433	9 064	11 895
		4 629	3 006	2 980
<i>add</i>				
Share of net profit of associated entities accounted for using the equity method		223	15	19
		4 852	3 021	2 999
<i>deduct</i>				
Depreciation and amortisation		1 753	1 286	1 443
Borrowing costs		449	299	457
Profit from ordinary activities before income tax	5	2 650	1 436	1 099
<i>deduct</i>				
Income tax expense attributable to ordinary activities		955	583	86
<b>Net profit</b>		1 695	853	1 013
<i>(deduct)/add</i>				
Outside equity interests in net (profit)/loss		(47)	256	21
<b>Net profit attributable to members of the BHP Billiton Group</b>		1 648	1 109	1 034
Adjustment for initial adoption of revised accounting standard AASB 1016				
Accounting for investments in associates		–	–	130
Net exchange fluctuations on translation of foreign currency net assets and foreign currency interest bearing liabilities net of tax		25	292	100
Total direct adjustments to equity attributable to members of the BHP Billiton Group		25	292	230
<b>Total changes in equity other than those resulting from transactions with owners</b>		1 673	1 401	1 264
Basic earnings per share (US cents)	7	27.3	30.1	28.7
Diluted earnings per share (US cents)	7	27.3	29.9	28.6

(a) 2002 and 2001 refer to the years ended 30 June 2002 and 30 June 2001 respectively; 2000 refers to the 13 months ended 30 June 2000. Refer note 1 (Change of financial year).

(b) Financial information for 2002 represents the financial performance of the BHP Billiton Group. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

(c) Comparative financial information for 2001 and 2000 represents the financial performance for the BHP Billiton Limited Group only. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

The accompanying notes form part of these financial statements.

# Statement of Financial Position

as at 30 June 2002

	Notes	2002 US\$M <sup>(a)</sup>	2001 US\$M <sup>(a)</sup>
<b>Current assets</b>			
Cash assets		1 499	1 285
Receivables		2 294	2 246
Other financial assets		117	215
Inventories		1 509	1 700
Other assets		108	130
<b>Total current assets</b>		<b>5 527</b>	<b>5 576</b>
<b>Non-current assets</b>			
Receivables		889	376
Investments accounted for using the equity method		1 505	1 236
Other financial assets		581	554
Inventories		80	90
Property, plant and equipment		19 484	18 632
Intangible assets		513	608
Deferred tax assets		480	459
Other assets		803	693
<b>Total non-current assets</b>		<b>24 335</b>	<b>22 648</b>
<b>Total assets</b>	5	<b>29 862</b>	<b>28 224</b>
<b>Current liabilities</b>			
Payables		2 435	2 255
Interest bearing liabilities		1 797	1 807
Tax liabilities		493	321
Other provisions		1 116	1 046
<b>Total current liabilities</b>		<b>5 841</b>	<b>5 429</b>
<b>Non-current liabilities</b>			
Payables		121	144
Interest bearing liabilities		6 383	6 521
Deferred tax liabilities		1 600	1 365
Other provisions		2 764	2 533
<b>Total non-current liabilities</b>		<b>10 868</b>	<b>10 563</b>
<b>Total liabilities</b>	5	<b>16 709</b>	<b>15 992</b>
<b>Net assets</b>		<b>13 153</b>	<b>12 232</b>
Contributed equity – BHP Billiton Limited		3 143	3 039
Called up share capital – BHP Billiton Plc		1 752	1 752
Reserves		471	530
Retained profits		7 455	6 526
<b>Total BHP Billiton interest</b>		<b>12 821</b>	<b>11 847</b>
Outside equity interest		332	385
<b>Total equity</b>		<b>13 153</b>	<b>12 232</b>

<sup>(a)</sup> Financial information for 2002 and 2001 represents the financial position of the BHP Billiton Group. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

The accompanying notes form part of these financial statements.



# Statement of Cash Flows

for the financial period ended 30 June 2002 <sup>(a)</sup>

	2002 US\$M <sup>(b)</sup>	2001 US\$M <sup>(c)</sup>	2000 US\$M <sup>(c)</sup>
<b>Cash flows related to operating activities</b>			
Receipts from customers	16 129	11 369	13 204
Payments to suppliers, employees, etc.	(11 836)	(7 796)	(10 260)
Dividends received	187	42	28
Interest received	156	64	56
Borrowing costs	(525)	(348)	(579)
HBI Venezuela guarantee payment	–	(310)	–
Proceeds from gas sales contract price re-negotiation	–	–	146
Other	128	14	223
Operating cash flows before income tax	4 239	3 035	2 818
Income taxes paid (net of refunds received)	(515)	(328)	(369)
<b>Net operating cash flows</b>	<b>3 724</b>	<b>2 707</b>	<b>2 449</b>
<b>Cash flows related to investing activities</b>			
Purchases of property, plant and equipment	(2 359)	(1 046)	(688)
Exploration expenditure	(390)	(276)	(231)
Purchases of investments	(321)	(367)	(271)
Purchases of, or increased investment in, controlled entities and joint venture interests net of their cash	(45)	(366)	–
Investing outflows	(3 115)	(2 055)	(1 190)
Proceeds from sale of property, plant and equipment	200	86	463
Proceeds from sale or redemption of investments	232	275	144
Proceeds from OneSteel spin-out	–	366	–
Proceeds from sale or partial sale of controlled entities and joint venture interests net of their cash	145	156	441
<b>Net investing cash flows</b>	<b>(2 538)</b>	<b>(1 172)</b>	<b>(142)</b>
<b>Cash flows related to financing activities</b>			
Proceeds from ordinary share issues, etc.	140	76	174
Proceeds from interest bearing liabilities	3 975	411	1 072
Repayment of interest bearing liabilities	(4 331)	(1 448)	(3 073)
Redemption of secured Employee Share Plan program	(134)	–	–
Purchase of shares under Share Buy-Back program	(19)	–	–
Dividends paid	(831)	(524)	(322)
Other	5	(10)	52
<b>Net financing cash flows</b>	<b>(1 195)</b>	<b>(1 495)</b>	<b>(2 097)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9)</b>	<b>40</b>	<b>210</b>
Cash and cash equivalents at beginning of period	998	562	372
Effect of foreign currency exchange rate changes on cash and cash equivalents	1	(41)	(20)
BHP Billiton Plc Group <sup>(d)</sup>	–	437	–
<b>Cash and cash equivalents at end of period</b>	<b>990</b>	<b>998</b>	<b>562</b>

<sup>(a)</sup> 2002 and 2001 refer to the years ended 30 June 2002 and 30 June 2001 respectively; 2000 refers to the 13 months ended 30 June 2000. Refer note 1 (Change of financial year).

<sup>(b)</sup> Financial information for 2002 represents the financial performance of the BHP Billiton Group. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

<sup>(c)</sup> Comparative financial information for 2001 and 2000 represents the financial performance for the BHP Billiton Limited Group only. (Refer 'Dual Listed Companies structure and basis of preparation of financial statements'.)

<sup>(d)</sup> This amount represents the inclusion of the BHP Billiton Plc Group as a consequence of the DLC merger on 29 June 2001.

The accompanying notes form part of these financial statements.

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

### Merger terms

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed Company, and BHP Billiton Plc (previously known as Billiton Plc), a UK 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 Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the BHP Billiton Group), with neither assuming a dominant role. Under the arrangements:

- The shareholders of BHP Billiton Limited and BHP Billiton Plc have a common economic interest in both groups
- The shareholders of BHP Billiton Limited and BHP Billiton Plc 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 Limited and BHP Billiton Plc 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 Limited and BHP Billiton Plc each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

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

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Limited or BHP Billiton Plc, any change of ownership of any existing shares or securities of BHP Billiton Limited or BHP Billiton Plc, 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 Limited and one share in BHP Billiton Plc 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

In accordance with the Australian Investments and Securities Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual Listed Company Arrangements', and an order issued by ASIC under Section 340 of the Corporations Act 2001 on 2 September 2002, this annual financial report presents the financial results of the BHP Billiton Group as follows:

- Results for the year ended 30 June 2002 are of the combined entity including both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies
- Comparative period results are of BHP Billiton Limited and its subsidiary companies only, except for the Statement of Financial Position as at 30 June 2001 which includes both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies; and
- Results are presented in US dollars unless otherwise stated.

The BHP Billiton Limited Annual Report 2002 – Combined Financial Statements and the full single entity financial statements of BHP Billiton Limited are available on the Company's website ([www.bhpbilliton.com](http://www.bhpbilliton.com)) and are available to shareholders on request free of charge.

# Notes to Concise Financial Statements

## 1 ACCOUNTING PRINCIPLES AND POLICIES

The concise financial statements have been derived from the statutory financial statements of the BHP Billiton Group for the year ended 30 June 2002 provided in the 'BHP Billiton Limited Annual Report 2002 – Combined Financial Statements'. The statutory financial statements comply with the requirements of the Corporations Act, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. A full description of the accounting policies adopted by the BHP Billiton Group is provided in the 'BHP Billiton Limited Annual Report 2002 – Combined Financial Statements'.

### Principles of consolidation

The concise financial statements of the economic entity referred to as the BHP Billiton Group include the combination of both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies. In preparing the concise financial statements of the BHP Billiton Group, the effects of all transactions between entities within the BHP Billiton Group have been eliminated.

Accounting standards and policies have been consistently applied by all entities in the BHP Billiton Group and are consistent with those applied in the prior two years except for:

#### (a) Application of new and revised accounting standards

Revised Australian Accounting Standard 1042: Discontinuing Operations was first adopted from 1 July 2001, which resulted in certain disclosures relating to discontinuing BHP Steel operations being included in note 3 (Significant events after year end).

Revised Australian Accounting Standard 1027: Earnings per Share was first adopted from 1 July 2001, and requires that earnings per share be calculated by dividing adjusted net profit attributable to members by the weighted average number of shares adjusted for any bonus element. The fully paid bonus shares issued on 9 July 2001 by BHP Billiton Limited as a result of the DLC merger have been taken into account in calculating earnings per share in comparative periods.

Revised Australian Accounting Standard 1005: Segment Reporting was first adopted from 1 July 2001, and requires disclosure of information on business and geographical segments. As a result, additional disclosures have been included in relation to business and geographical segments. Comparatives have been provided accordingly.

#### (b) Changes in accounting policies

##### Functional currency

With effect from 1 July 2001, the majority of the BHP Billiton Limited Group's businesses changed their functional currency to US dollars, the functional currency of the combined BHP Billiton Group. This is consistent with the BHP Billiton Plc Group and is the basis on which the combined BHP Billiton Group manages its businesses and records its transactions. The effect of this change for the year ended 30 June 2002 has been a decrease in net profit attributable to members of US\$47 million. Concurrent with this change, the BHP Billiton Group has changed its accounting policy regarding the treatment of foreign exchange gains or losses on local currency site restoration provisions held in the accounts of entities using US dollar functional currencies.

Under the previous policy, the foreign exchange gains and losses on site restoration provisions were recognised in the Statement of Financial Performance. Under the revised policy, such foreign exchange gains and losses are treated as part of the revision to the estimated future restoration cost and are included in the cost of property, plant and equipment. The revised policy has been adopted as it better matches the ultimate cost of site restoration charged in the Statement of Financial Performance to the profit earned. The impact in the year ended 30 June 2002 has been the capitalisation to property, plant and equipment of foreign exchange losses of US\$40 million.

##### Asset impairment tests

With effect from 1 July 2001, asset impairment tests for the BHP Billiton Limited Group are completed using risk-adjusted market-based discount rates (weighted average cost of capital). Previously, an asset's estimated recoverable amount was determined using expected net cash flows discounted at an interest rate based on the long-term interest bearing liabilities of the BHP Billiton Limited Group. This policy change had US\$nil effect on net profit attributable to members for the year ended 30 June 2002.

A reconciliation of the major differences between the financial statements prepared under Australian generally accepted accounting principles ('GAAP') and those applicable under US GAAP is included in note 10.

##### Change of financial year

Directors announced on 17 December 1999 that the financial year end for the BHP Billiton Limited Group would change from 31 May to 30 June, with effect from 30 June 2000.

Pursuant to Section 340 of the Corporations Act (the Act), the Australian Securities and Investments Commission granted relief from the requirements of paragraph 323D(2)(b) of the Act permitting BHP Billiton Limited to change its financial period end and adopt a transitional 13-month financial year of 1 June 1999 to 30 June 2000.

The current financial period covered by these concise financial statements is the year ended 30 June 2002. All references to 30 June 2001 are to the year ended 30 June 2001, and references to 30 June 2000 are to the 13 months ended 30 June 2000.

##### Currency of presentation

All amounts are expressed in US dollars unless otherwise stated.

Notes to Concise Financial Statements continued**2 SIGNIFICANT ITEMS**

Individually significant items (before outside equity interests) included within the BHP Billiton Group net profit/(loss) are detailed below.

	Gross 2002 US\$M	Tax 2002 US\$M	Net 2002 US\$M
<b>Significant items by category</b>			
<b>Termination of operations</b>			
<i>Write-down in carrying values of assets</i>			
Base Metals			
South West Copper assets (a)	(171)	–	(171)
<i>Reductions in provisions</i>			
Base Metals			
South West Copper assets closure provisions (a)	70	–	70
	(101)	–	(101)
<b>Significant taxation items</b>			
Group and unallocated items			
Change in UK tax rate on petroleum operations (b)		(56)	(56)
		(56)	(56)
<b>Other significant items</b>			
<i>Suspension of operations</i>			
Base Metals			
Charges associated with suspension of Tintaya operations (c)	(31)	9	(22)
	(31)	9	(22)
<i>Merger related restructuring costs</i>			
Aluminium	(4)	–	(4)
Base Metals	(13)	1	(12)
Carbon Steel Materials	(6)	1	(5)
Stainless Steel Materials	(3)	–	(3)
Energy Coal	(5)	1	(4)
Diamonds and Specialty Products	(6)	2	(4)
Petroleum	(4)	1	(3)
Group and unallocated items	(39)	9	(30)
	(80)	15	(65)
<b>Total by category</b>	(212)	(32)	(244)
<b>Significant items by Customer Sector Group</b>			
Aluminium	(4)	–	(4)
Base Metals	(145)	10	(135)
Carbon Steel Materials	(6)	1	(5)
Stainless Steel Materials	(3)	–	(3)
Energy Coal	(5)	1	(4)
Diamonds and Specialty Products	(6)	2	(4)
Petroleum	(4)	1	(3)
Group and unallocated items	(39)	(47)	(86)
<b>Total by Customer Sector Group</b>	(212)	(32)	(244)

**2 SIGNIFICANT ITEMS continued**

	Gross 2001 US\$M	Tax 2001 US\$M	Net 2001 US\$M
<b>Significant items by category</b>			
<b><i>Sale of fixed assets</i></b>			
Carbon Steel Materials			
Equalisation of Queensland Coal interests (d)	128	–	128
	128	–	128
<b><i>Termination of operations</i></b>			
Group and unallocated items			
Ok Tedi copper mine (e)	(430)	14	(416)
	(430)	14	(416)
<b><i>Merger transaction costs</i></b>			
Group and unallocated items	(37)	–	(37)
	(37)	–	(37)
<b><i>Significant taxation items</i></b>			
Group and unallocated items			
Income tax audit (f)		(33)	(33)
		(33)	(33)
<b><i>Other significant items</i></b>			
<b><i>Restructuring costs and provisions</i></b>			
Steel	(22)	7	(15)
<b><i>Merger related restructuring costs</i></b>			
Base Metals	(3)	1	(2)
Diamonds and Specialty Products	(4)	1	(3)
Group and unallocated items	(17)	5	(12)
	(46)	14	(32)
<b><i>Write-down in carrying values of assets and provisions</i></b>			
Group and unallocated items			
HBI Venezuela (g)	(520)	110	(410)
<b>Total by category</b>	<b>(905)</b>	<b>105</b>	<b>(800)</b>
<b>Significant items by Customer Sector Group</b>			
Base Metals	(3)	1	(2)
Carbon Steel Materials	128	–	128
Diamonds and Specialty Products	(4)	1	(3)
Steel	(22)	7	(15)
Group and unallocated items	(1 004)	96	(908)
<b>Total by Customer Sector Group</b>	<b>(905)</b>	<b>105</b>	<b>(800)</b>

Notes to Concise Financial Statements continued2 SIGNIFICANT ITEMS continued

	Gross 2000 US\$M	Tax 2000 US\$M	Net 2000 US\$M
<b>Significant items by category</b>			
<b><i>Sale of subsidiaries</i></b> <sup>(h)</sup>			
Steel			
US West Coast Steel businesses	(135)	2	(133)
Petroleum			
PNG assets and Bolivia-Brazil pipeline	93	(1)	92
Group and unallocated items			
BHP IT	38	–	38
	(4)	1	(3)
<b><i>Costs of fundamental reorganisation</i></b> <sup>(i)</sup>			
Petroleum			
	(12)	4	(8)
Steel			
	(18)	7	(11)
Group and unallocated items			
	(31)	10	(21)
	(61)	21	(40)
<b><i>Significant taxation items</i></b>			
Group and unallocated items			
Restatement of deferred tax balances on rate change		107	107
Tax benefit on finalisation of funding arrangements		184	184
		291	291
<b><i>Other significant items</i></b>			
Asset write-offs and provisions:			
Carbon Steel Materials			
HBI Western Australia	(695)	210	(485)
	(695)	210	(485)
<b>Total by category</b>			
	(760)	523	(237)
<b>Significant items by Customer Sector Group</b>			
Carbon Steel Materials			
	(695)	210	(485)
Petroleum			
	81	3	84
Steel			
	(153)	9	(144)
Group and unallocated items			
	7	301	308
<b>Total by Customer Sector Group</b>			
	(760)	523	(237)

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

(b) In June 2002, a change in legislation increased the corporation taxation rate for oil and gas companies in the United Kingdom from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated by US\$56 million.

(c) Sulfide operations at Tintaya have been suspended until at least January 2003. A charge of US\$31 million recognised the costs of the suspension and a write-down of obsolete equipment.

(d) In June 2001, the BHP Billiton Group and Mitsubishi agreed to equalise their interests in the Central Queensland Coal Associates and Gregory joint ventures which involved the BHP Billiton Group selling to Mitsubishi a proportion of its interests resulting in the profit disclosed above. The net profit from the equalisation of Queensland Coal interests of US\$128 million includes proceeds of US\$393 million, which have been included in other revenue.

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

## 2 SIGNIFICANT ITEMS continued

(f) As a consequence of an income tax audit conducted by the Australian Taxation Office (ATO), an amount of US\$118 million had been subject to litigation. The dispute concerned the deductibility of financing costs paid to General Electric Company in connection with the BHP Billiton Group's acquisition of the Utah Group in the early 1980s. On 23 November 1999, the Federal Court ruled in favour of the BHP Billiton Group.

On 18 October 2000, the Full Bench of the Federal Court ruled in favour of the ATO. The BHP Billiton Group sought leave to appeal to the High Court of Australia (High Court) and the hearing occurred on 10 August 2001. The High Court refused the BHP Billiton Group leave to appeal on the general question of deductibility but did allow leave to appeal on the question of whether the ATO had the power to amend the 1985 assessment.

An amount of US\$41 million was paid in 1992 and up to 2001 was accounted for as a non-current asset. At 30 June 2001, the accounts were adjusted to include a tax expense of US\$33 million relating to refusal of the High Court to grant leave to appeal on the deductibility of financing costs and a non-current asset of US\$8 million was carried forward. In July 2001, the outstanding balance of US\$77 million was paid and recorded as a non-current asset.

On 14 February 2002, the High Court allowed by consent the BHP Billiton Group's appeal against the majority decision of the Full Federal Court. As a result of the High Court order, an amount of US\$85 million was refunded to the BHP Billiton Group together with associated interest and penalties.

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

(h) The net loss from asset sales in 2000 of US\$3 million includes the following proceeds that have been included in other revenue: US West Coast Steel businesses US\$259 million; PNG assets and Bolivia-Brazil pipeline US\$204 million; and BHP IT US\$48 million.

(i) 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.

## 3 SIGNIFICANT EVENTS AFTER YEAR END

In July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The demerger of BHP Steel effectively brings to an end the BHP Billiton Group's involvement as a steel producer and follows the demerger of the OneSteel business in October 2000 and the disposal of other major steel operations, such as the US West Coast Steel businesses in June 2000. These steel businesses, which comprise the majority of the Steel segment, are reported below.

The financial performance of these businesses, as included in the BHP Billiton Group financial statements, is detailed below.

	Discontinuing Steel businesses		
	2002 US\$M	2001 US\$M	2000 US\$M
<b>Financial performance</b>			
Revenue from ordinary activities before interest income	2 389	3 034	5 444
Expenses from ordinary activities excluding borrowing costs	2 315	2 829	5 223
Profit from ordinary activities before net borrowing costs and income tax	74	205	221

There were no significant items included within profit from ordinary activities before net borrowing costs and income tax for 2002. Within profit from ordinary activities before net borrowing costs and income tax for 2001 is a charge of US\$22 million (before tax) relating to restructuring costs and provisions, and in 2000 a loss on disposal of US West Coast Steel businesses of US\$135 million (before tax) and costs for fundamental reorganisation of US\$18 million (before tax). Refer note 2.

While the BHP Billiton Group operates its treasury function on a Group basis, certain financing arrangements not reported in the Steel segment can be attributed to the discontinuing Steel operations. Not included within revenue from ordinary activities for 2002 is interest income of US\$13 million (2001: US\$15 million, 2000: US\$13 million). The borrowing costs associated with attributable debt instruments was US\$15 million for 2002 (2001: US\$30 million, 2000: US\$17 million). The income tax expense/(benefit) related to discontinuing operations, including the tax impact on financing arrangements noted above, was a tax benefit of US\$3 million (2001: US\$34 million tax expense, 2000: US\$56 million tax expense).

The contribution to Group cash flows of these businesses before consideration of borrowing costs and income tax, as included in the BHP Billiton Group financial statements is detailed below:

	Discontinuing Steel businesses		
	2002 US\$M	2001 US\$M	2000 US\$M
<b>Cash flows</b>			
Net operating cash flows (excluding borrowing costs and income tax)	283	412	577
Net investing cash flows	(74)	367	159
Net financing cash flows	(21)	(68)	(24)
Total cash flows provided by discontinued operations	188	711	712

Notes to Concise Financial Statements continued**3 SIGNIFICANT EVENTS AFTER YEAR END continued**

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

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

The impact of these steps (which have been recorded in July 2002) is:

- The BHP Billiton Group's capital was reduced by approximately US\$1 501 million, including approximately US\$19 million of costs directly associated with the demerger;
- A cash inflow of approximately US\$369 million, representing net US\$294 million from the settlement by BHP Steel of intercompany loans, together with US\$75 million from the sale of the 6 per cent of BHP Steel; and

- A loss of approximately US\$19 million (no tax effect) relating to the sale of the 6 per cent of BHP Steel.

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

The attributable net assets of BHP Steel as included in the BHP Billiton Group's 30 June 2002 Statement of Financial Position is provided below. In addition, the estimated net assets demerged in July 2002 are provided, after allowing for the settlement of intercompany loans by BHP Steel to the BHP Billiton Group. The 2001 financial position presented below represents a comparable basis by which to evaluate BHP Steel as the OneSteel spin-out and sale of the US West Coast Steel businesses were completed prior to 30 June 2001.

	Discontinuing Steel businesses	
	2002 US\$M	2001 US\$M
<b>Financial position (a)</b>		
Total assets	2 732	2 548
Total liabilities	(841)	(741)
Outside equity interests	(21)	(14)
Total equity	1 870	1 793
Net payments to the BHP Billiton Group by BHP Steel to settle intercompany loans (post 30 June 2002)	(294)	
Estimated attributable net assets of BHP Steel to be demerged	1 576	

(a) Includes certain assets and liabilities (primarily cash, interest bearing liabilities and taxation provisions) which are not allocated to Steel for segment reporting purposes.

**4 REMUNERATION OF AUDITORS**

	2002 US\$M	2001 US\$M	2000 US\$M
Amounts received or due and receivable by the auditors of the BHP Billiton Group for:			
<b>BHP Billiton Limited Group</b>			
Auditing accounts of BHP Billiton Limited and its controlled entities (a)	3.552	3.274	3.692
Information systems design and implementation (b)	0.015	–	–
Other services (b)	4.382	3.054	3.599
<b>BHP Billiton Plc Group</b>			
Auditing accounts of BHP Billiton Plc and its controlled entities (c)	6.039	–	–
Information systems design and implementation (b)	5.711	–	–
Other services (b)	9.471	–	–
Amounts received or due and receivable by other auditors for:			
Auditing the accounts of certain controlled entities	0.242	0.237	0.475
	29.412	6.565	7.766

(a) Effective 27 May 2002, the partnership of Arthur Andersen Australia (AA) was dissolved. Consequently AA resigned as auditors of BHP Billiton Limited and applicable subsidiaries, and the Directors resolved to appoint Ernst & Young as the successor auditor to these entities.

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

(c) Audited by auditors other than those that audit the accounts of BHP Billiton Limited and its controlled entities.



## 5 SEGMENT RESULTS

The BHP Billiton Group has grouped its major operating assets into the following Customer Sector Groups (CSGs):

- Aluminium (exploration for and mining, processing and marketing of aluminium and alumina);
- Base Metals (exploration for and mining, processing and marketing of copper, silver, zinc, lead and copper by-products including gold);
- Carbon Steel Materials (exploration for and mining, processing and marketing of coking coal, iron ore and manganese);
- Stainless Steel Materials (exploration for and mining, processing and marketing of chrome and nickel);
- Energy Coal (exploration for and mining, processing and marketing of steaming coal);

- Diamonds and Specialty Products (Ekati™ diamond mine, titanium operations, metals distribution activities and exploration, and technology activities);
- Petroleum (exploration for and production, processing and marketing of hydrocarbons including oil, gas and LNG); and
- Steel (manufacture and marketing of steel products and transport and logistics).

Net unallocated interest represents the net profit before tax of debt funding to the BHP Billiton Group.

Group and unallocated items represent Group Centre functions and certain comparative data for divested assets and investments.

Intersegment sales are made on a commercial basis.

### Industry segment information

US\$ million	External revenue	Inter-segment revenue	Share of net profit from associated entities	Profit before tax <sup>(a)</sup>	Gross segment assets <sup>(b)</sup>	Gross segment liabilities	Depreciation and amortisation	Other non-cash expenses	Capital expenditure <sup>(c)</sup>
<b>Year ended 30 June 2002</b>									
Aluminium	2 846	–	–	502	5 436	746	246	3	291
Base Metals	1 415	23	32	27	4 502	1 087	233	165	527
Carbon Steel Materials	2 949	167	47	1 044	3 240	1 135	175	35	277
Stainless Steel Materials	799	–	4	9	1 963	267	94	2	84
Energy Coal	2 045	–	18	493	2 895	1 072	191	13	294
Diamonds and Specialty Products	1 096	19	122	219	1 410	181	79	2	60
Petroleum	2 801	35	–	1 052	4 539	2 061	571	22	687
Steel <sup>(d)</sup>	2 495	142	–	91	2 675	800	137	4	100
Group and unallocated items <sup>(e)(f)</sup>	474	224	–	(480)	3 202	9 360	27	31	39
Net unallocated interest	142	–	–	(307)	–	–	–	–	–
<b>BHP Billiton Group</b>	<b>17 062</b>	<b>610</b>	<b>223</b>	<b>2 650</b>	<b>29 862</b>	<b>16 709</b>	<b>1 753</b>	<b>277</b>	<b>2 359</b>
<b>Year ended 30 June 2001</b>									
Aluminium	–	–	–	–	5 233	545	–	–	–
Base Metals	1 380	–	–	391	4 146	1 101	166	8	244
Carbon Steel Materials	2 642	177	63	873	3 209	1 106	213	84	131
Stainless Steel Materials	–	–	–	–	1 891	217	–	–	–
Energy Coal	638	–	–	128	2 407	838	67	2	52
Diamonds and Specialty Products	256	5	–	36	1 609	243	30	6	26
Petroleum	3 413	21	–	1 475	4 112	1 975	540	101	459
Steel <sup>(d)</sup>	3 271	333	–	234	2 641	849	174	15	69
Group and unallocated items <sup>(e)(f)</sup>	409	38	(48)	(1 463)	2 976	9 118	96	572	65
Net unallocated interest	61	–	–	(238)	–	–	–	–	–
<b>BHP Billiton Group</b>	<b>12 070</b>	<b>574</b>	<b>15</b>	<b>1 436</b>	<b>28 224</b>	<b>15 992</b>	<b>1 286</b>	<b>788</b>	<b>1 046</b>

Notes to Concise Financial Statements continued5 SEGMENT RESULTS continued

US\$ million	External revenue	Inter-segment revenue	Share of net profit from associated entities	Profit before tax <sup>(a)</sup>	Gross segment assets <sup>(b)</sup>	Gross segment liabilities	Depreciation and amortisation	Other non-cash expenses	Capital expenditure <sup>(c)</sup>
Year ended 30 June 2000									
Aluminium	–	–	–	–	–	–	–	–	–
Base Metals	1 883	–	–	456	2 460	914	179	–	86
Carbon Steel Materials	2 305	225	29	(155)	3 032	922	214	709	102
Stainless Steel Materials	–	–	–	–	–	–	–	–	–
Energy Coal	639	–	–	102	473	210	65	–	13
Diamonds and Specialty Products	270	9	–	62	460	(46)	31	–	19
Petroleum	3 534	9	–	1 188	4 449	2 387	554	–	312
Steel <sup>(d)</sup>	5 705	326	–	269	4 768	1 320	312	(10)	118
Group and unallocated items <sup>(e)(f)</sup>	479	134	(10)	(426)	1 978	5 304	88	15	38
Net unallocated interest	60	–	–	(397)	–	–	–	–	–
<b>BHP Billiton Group</b>	<b>14 875</b>	<b>703</b>	<b>19</b>	<b>1 099</b>	<b>17 620</b>	<b>11 011</b>	<b>1 443</b>	<b>714</b>	<b>688</b>

(a) Before outside equity interests.

(b) Included within gross segment assets are the following carrying values of associates accounted for using the equity method of accounting: Base Metals; 2002: US\$383 million (2001: US\$531 million; 2000: US\$nil), Carbon Steel Materials; 2002: US\$278 million (2001: US\$276 million; 2000: US\$237 million), Stainless Steel Materials; 2002: US\$3 million (2001: US\$27 million; 2000: US\$nil), Energy Coal; 2002: US\$490 million (2001: US\$265 million; 2000: US\$nil), Diamonds and Specialty Products; 2002: US\$326 million (2001: US\$137 million; 2000: US\$nil), Petroleum; 2002: US\$25 million (2001: US\$nil; 2000: US\$nil), and Group and unallocated items; 2002: US\$nil (2001: US\$nil; 2000: US\$142 million).

(c) Excluding investment expenditure, capitalised borrowing costs and capitalised exploration.

(d) The results of operations and the financial position presented as the Steel segment, represents substantially all of the Steel business to be demerged. Amounts not attributable to BHP Steel include results of operations and financial position of Transport and Logistics, until 31 December 2001, and certain minor residual steel assets and liabilities that will not be demerged as part of BHP Steel. Refer note 3.

(e) Comparative results for the Ok Tedi copper mine and HBI Venezuela are included in Group and unallocated items. Ok Tedi was previously included in Base Metals and HBI Venezuela was previously included in Carbon Steel Materials.

(f) Includes consolidation adjustments.

5 SEGMENT RESULTS continued

Geographical segment information

	2002 US\$M	2001 US\$M	2000 US\$M
<b>Geographical classification</b>			
<b>External revenue by location of customer</b>			
Continuing operations			
Australia (a)	2 012	2 250	1 788
North America	1 969	1 262	1 828
Europe (b)	3 929	1 405	1 571
South America	457	341	354
Southern Africa	1 193	–	–
Japan	1 941	1 869	1 757
South Korea	1 001	584	676
Other Asia	1 634	1 091	1 046
Rest of World	537	234	411
<b>Total from continuing operations</b>	<b>14 673</b>	<b>9 036</b>	<b>9 431</b>
Discontinued operations			
Australia	1 339	1 622	3 452
North America	190	260	706
Europe	112	163	166
South America	24	23	31
Japan	17	33	51
South Korea	43	70	68
Other Asia	328	461	423
Rest of World	336	402	547
<b>Total from discontinued operations (c)</b>	<b>2 389</b>	<b>3 034</b>	<b>5 444</b>
<b>BHP Billiton Group</b>	<b>17 062</b>	<b>12 070</b>	<b>14 875</b>
<b>Gross segment assets</b>			
Continuing operations			
Australia	9 251	9 158	4 297
North America	3 525	4 110	1 127
Europe	1 775	1 624	1 301
South America	6 722	5 172	2 720
Southern Africa	5 163	4 958	–
Rest of World	694	654	1 033
<b>Total from continuing operations</b>	<b>27 130</b>	<b>25 676</b>	<b>10 478</b>
Discontinued operations			
Australia	1 977	1 760	3 700
North America	95	101	172
Europe	8	32	–
Rest of World	652	655	780
<b>Total from discontinued operations (c)</b>	<b>2 732</b>	<b>2 548</b>	<b>4 652</b>
<b>BHP Billiton Group</b>	<b>29 862</b>	<b>28 224</b>	<b>15 130</b>

## Notes to Concise Financial Statements continued

### 5 SEGMENT RESULTS continued

#### Geographical segment information continued

	2002 US\$M	2001 US\$M	2000 US\$M
<b>Capital expenditure</b>			
Continuing operations			
Australia	549	303	329
North America	283	229	102
Europe	211	60	39
South America	575	248	65
Southern Africa	347	–	–
Rest of World	296	148	40
<b>Total from continuing operations</b>	<b>2 261</b>	<b>988</b>	<b>575</b>
Discontinued operations			
Australia	73	47	108
North America	–	1	2
Rest of World	25	10	3
<b>Total from discontinued operations<sup>(c)</sup></b>	<b>98</b>	<b>58</b>	<b>113</b>
<b>BHP Billiton Group</b>	<b>2 359</b>	<b>1 046</b>	<b>688</b>

(a) Export sales from Australia amounting to US\$4 774 million, US\$4 998 million and US\$4 739 million are included in Australia for 2002, 2001 and 2000 respectively. Approximately 26 per cent, 25 per cent and 24 per cent of such sales during 2002, 2001 and 2000 respectively were to customers in Japan.

(b) Export sales from UK amounting to US\$501 million, US\$507 million and US\$403 million are included for 2002, 2001 and 2000 respectively. None of these sales were to customers in Japan.

(c) Refer note 3.

### 6 DIVIDENDS

	2002 US\$M	2001 US\$M	2000 US\$M
<b>BHP Billiton Limited<sup>(a)</sup></b>			
Dividends declared <sup>(b)(c)</sup>	242	245	275
Dividends paid <sup>(d)</sup>	241	231	281
	<b>483</b>	<b>476</b>	<b>556</b>
<b>BHP Billiton Plc</b>			
Dividends declared <sup>(b)(e)</sup>	150		
Dividends paid			
Ordinary shares <sup>(f)</sup>	151		
Preference shares <sup>(g)</sup>	–		
	<b>301</b>		
<b>Total dividends paid or payable</b>	<b>784</b>	<b>476</b>	<b>556</b>

(a) Dividends per American Depositary Share (ADS) (as declared) for 2002 were 26.0 US cents per share (2001: 49.4 Australian cents; 2000: 49.4 Australian cents).

(b) Dividends declared on 3 May 2002 and payable at 30 June 2002 were paid on 3 July 2002.

(c) Dividends declared for 2002 were 6.5 US cents fully franked per share (2001: 12.6 Australian cents fully franked per share; 2000: 12.6 Australian cents unfranked per share).

(d) Dividends paid for 2002 were 6.5 US cents fully franked per share (2001: 12.1 Australian cents unfranked per share; 2000: 12.1 Australian cents unfranked per share).

(e) Declared final dividend of 6.5 US cents per share.

(f) Interim paid of 6.5 US cents per share.

(g) 5.5 per cent dividend on 50,000 preference shares of £1 each.

## 6 DIVIDENDS continued

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

For the purposes of AASB 1034, the Group had an adjusted franking account balance of US\$591 million at 30 cents in the dollar at 30 June 2002 before the 3 July 2002 dividend payment. An amount of US\$252 million at 30 cents in the dollar was used as a result of the 3 July 2002 dividend payment. It is anticipated that dividends payable in the following year will be fully franked.

From 1 July 2002, the Australian Income Tax Assessment Act 1997 requires measurement of franking credits based on the amount of income tax paid, rather than after tax profits. As a result, the 'franking credits available' were converted from US\$591 million to US\$253 million as at 1 July 2002. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

## 7 EARNINGS PER SHARE

	2002	2001	2000
Basic earnings per share (US cents) (b)(c)	27.3	30.1	28.7
Diluted earnings per share (US cents) (c)	27.3	29.9	28.6
Basic earnings per American Depositary Share (ADS) (US cents) (d)	54.6	60.2	57.4
Weighted average number of fully paid shares (millions)			
Basic earnings per share denominator	6 029	3 689	3 653
Diluted earnings per share denominator (c)(e)	6 042	3 704	3 666

(a) Comparative data has been restated to take into account the bonus share issue effective 29 June 2001.

(b) Based on net profit attributable to members of the BHP Billiton Group.

(c) Performance Rights are excluded and would only be included when an issue of shares is expected to occur.

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

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

Number of shares	2002 Million	2001 Million	2000 Million
Basic earnings per share denominator	6 029	3 689	3 653
BHP Billiton Limited options	11	12	7
BHP Billiton Limited partly paid shares	2	3	6
BHP Billiton Plc executive share awards	–	–	–
Diluted earnings per share denominator	6 042	3 704	3 666

## 8 CONTINGENT LIABILITIES

	2002 US\$M	2001 US\$M
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from		
Joint ventures – unsecured	76	82
Other – unsecured	996	1 523
Total contingent liabilities	1 072	1 605

## Notes to Concise Financial Statements continued

### 8 CONTINGENT LIABILITIES continued

#### **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 that may render the tailings option economically or technically unfeasible, and obtaining all necessary leases and other approvals required from the landowners and the State.

On 11 April 2000, two legal actions were commenced in the Victorian Supreme Court against OTML and BHP Billiton Limited. Rex Dagi is plaintiff in the first action, Gabia Gagarimabu is plaintiff in the second action on his own behalf and on behalf of the remaining parties to the Settlement Agreement. Both actions seek specific performance of the Settlement Agreement and/or an injunction to require the implementation by BHP Billiton Limited and OTML of a tailings pipeline and storage system and damages. However, the plaintiffs have not identified a tailings retention scheme which could feasibly be implemented. OTML and BHP Billiton Limited assert that there has been no breach of the settlement agreement and are defending the claims.

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

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

The Victorian Supreme Court litigation continues, with numerous preliminary steps and preliminary hearings having occurred during the past year. No date has been fixed for a trial.

#### **Bass Strait – Longford**

Following the 25 September 1998 explosion and fire at Longford, a class action was commenced in the Federal Court of Australia on behalf of Victorian gas consumers and employees stood down by employers during the shortage of gas following those events (together the Applicants).

On 12 April 2001, the action was transferred to the Supreme Court of Victoria. The action is against Esso Australia Resources Pty Ltd (Esso). Esso has joined the State of Victoria and various entities associated with the State (together the State Entities) as cross respondents alleging certain failures and contributory negligence on the part of the State Entities. In turn, following hearing of the claim against Esso the State Entities may join BHP Billiton Petroleum (Bass Strait) Pty Ltd (BHPBP) as a further cross respondent, with the effect that if any sums are recovered against the State Entities they will seek contribution from BHPBP. The Applicants' alleged losses have not been quantified.

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

In turn, BHPBP may have rights against Esso as operator in relation to losses and costs BHPBP has incurred in relation to the incident, including under the cross claim by the State Entities. It is unlikely that these issues will be resolved in the near term.

#### **Reclamation and remediation obligations**

The BHP Billiton Group's activities are subject to various national, regional, and local laws and regulations governing the protection of the environment. Furthermore, the BHP Billiton Group has a policy of ensuring that reclamation is planned and financed from the early stages of any operation. Provision is made for the reclamation of the BHP Billiton Group's mining and processing facilities along with the decommissioning of offshore oil platforms and infrastructure associated with petroleum activities. At 30 June 2002, US\$1 276 million (2001: US\$877 million) was accrued for reclamation and decommissioning costs relating to current operations in the provision for site rehabilitation. Although the BHP Billiton Group's provisions have been accrued for currently, reclamation and decommissioning expenditures generally are expected to be paid over the next 30 years. As stated in the BHP Billiton Group's accounting policy, the BHP Billiton Group's provisions for reclamation and decommissioning are discounted to its net present value.

In addition, the BHP Billiton Group has certain obligations associated with maintaining several closed sites including remediation activities. At 30 June 2002, US\$337 million (2001: US\$171 million) and US\$47 million (2001: US\$334 million) was provided for closed properties and remediation activities in the provisions for site rehabilitation and restructuring, respectively. Certain of the remediation activities are subject to legal dispute and, depending on the ultimate resolution of these matters the final liability for these matters could vary. The amounts accrued for these matters are reviewed periodically based upon the facts and circumstances available at the time and the accruals are updated accordingly. Refer 'BHP Billiton Limited Annual Report 2002 – Combined Financial Statements' for further details.

### 9 RELATED PARTIES

#### **Share transactions with Directors and Director-related entities**

The former Managing Director and Chief Executive Officer, P M Anderson received 374 693 ordinary shares during the year ended 30 June 2002 (2001: 201 840) on exercise of Performance Rights. A further 50 000 exercisable rights are held and are exercisable. On the exercise of these rights P M Anderson will receive 114 765 ordinary shares.

The current Chief Executive Officer, B P Gilbertson, was conditionally awarded 274 914 shares under the Restricted Share Scheme during the year ended 30 June 2002 (2001: 1 092 618). Subject to performance hurdles being met, the shares will vest unconditionally on 1 October 2004. An additional 94 851 shares were awarded under BHP Billiton Plc's Co-Investment Plan. Of this award, 71 431 were matching awards and

## 9 RELATED PARTIES continued

23 420 were awarded as committed shares (2001: 92 361 committed shares and 348 311 matching awards). They are not exercisable before 1 October 2003 and are subject to performance hurdles.

During the year 1 092 618 of B P Gilbertson's Restricted Share Scheme awards vested at £3.1675 each (the market price of shares on the day of vesting) and 92 361 committed shares and 348 311 matching awards vested at £3.1675 each (the market price of shares on the day of vesting).

### Transactions with Director-related entities

A number of Directors of BHP Billiton Limited hold positions in other companies, where it may be said they control or significantly influence the financial or operating policies of these entities. Accordingly, the following entities are considered to be Director-related entities for the purpose of the disclosure requirements of Australian Accounting Standard AASB 1017: Related Party Disclosures:

Director of BHP Billiton Limited	Director-related entity	Position held in Director-related entity
D A Crawford (a)	KPMG	Chairman and Partner
J C Conde (b)	Broadcast Investments Pty Ltd (and related entities)	Chairman and Managing Director
M A Chaney	Wesfarmers (Group)	Managing Director
D A Jenkins	Chartwood Resources Ltd	Chairman and Managing Director
B D Romeril (c)	Xerox Corporation	Chief Financial Officer

(a) D A Crawford resigned as Chairman and Partner of KPMG on 28 June 2001.

(b) J C Conde resigned as Chairman and Managing Director of Broadcast Investments Pty Ltd on 21 March 2001.

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

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

- D A Crawford resigned as Chairman and Partner of KPMG on 28 June 2001. During the year ended 30 June 2001 KPMG received US\$1.320 million in fees for services provided to the BHP Billiton Group.
- the Wesfarmers Group received US\$22.287 million during the year ended 30 June 2002 (2001: US\$13.492 million) for products and services provided to the BHP Billiton Group. The Wesfarmers Group paid US\$5.052 million (2001: US\$7.474 million) to the BHP Billiton Group for various products. At 30 June 2002 outstanding receivables from the Wesfarmers Group were US\$nil (2001: US\$0.303 million).
- Xerox Corporation received US\$1.831 million during the year ended 30 June 2002 for products and services provided to the BHP Billiton Group. At 30 June 2002 outstanding amounts due to the Xerox Corporation were US\$0.619 million.

### Other Director transactions with BHP Billiton Group entities

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

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

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

Following the termination of his employment on 1 July 2002, Mr Anderson entered into a consultancy arrangement with BHP Billiton Limited under which he agrees to act as a consultant to the Group for two years commencing at the time he ceases to be a Director. Mr Anderson will receive a total fee of US\$104,739 under this arrangement.

## 10 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES

**Refer addendum at the end of this Concise Report which includes a revised version, in its entirety, of this note 10 to the concise financial statements.**

The financial statements of the BHP Billiton Group are prepared in accordance with accounting standards generally accepted in Australia (Australian GAAP). Material differences between generally accepted accounting principles as followed by the BHP Billiton Group in Australia and those generally accepted in the US (US GAAP) are presented below.

### DLC merger

On 29 June 2001, BHP Billiton Plc (now BHP Billiton Plc) consummated the Dual Listed Companies (DLC) merger with BHP Limited (now BHP Billiton Limited). A description of the DLC merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'. In accordance with Australian GAAP, the assets, liabilities and equity of the BHP Billiton Plc Group and of the BHP Billiton Limited

Group are combined at their respective book values as at the date of consummation of the merger.

Under US GAAP, the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. The BHP Billiton Limited Group has been identified as the acquirer because of the majority ownership interest of BHP Billiton Limited shareholders in the DLC structure. Under US GAAP, the reconciliation of shareholders' equity includes the purchase adjustments required under US GAAP to recognise the BHP Billiton Plc Group assets and liabilities at their fair values, with the excess recorded as goodwill.

### (A) Reconciliation to US GAAP

A full description of the nature of the reconciliation is provided in the 'BHP Billiton Limited Annual Report 2002 – Combined Financial Statements'.

Notes to Concise Financial Statements continued10 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following is a summary of the estimated adjustments to net income for 2002, 2001 and 2000 that would be required if US GAAP had been applied instead of Australian GAAP.

	2002 US\$M	2001 US\$M (restated)	2000 US\$M
<b>Reconciliation of net income</b>			
Net profit attributable to members as reported in the consolidated Statement of Financial Performance:	<b>1 648</b>	1 109	1 034
<i>add/(deduct)</i>			
<i>Estimated adjustment required to accord with US GAAP:</i>			
Fair value adjustment on acquisition of BHP Billiton Plc Group			
Depreciation, amortisation and other asset movements	(412)	–	–
BHP Steel demerger	(333)	–	–
Employee compensation costs	26	(117)	–
Depreciation – write-downs	(18)	(19)	(34)
– revaluations	5	5	8
– reserves	(15)	–	–
Restructuring and employee provisions	(55)	31	27
Fair value accounting for derivatives	279	(33)	–
Synthetic debt	18	–	–
Realised net exchange (losses)/gains on sale of assets/closure of operations	84	7	26
Exploration, evaluation and development expenditures	(60)	(3)	(4)
Start-up costs	(2)	5	(16)
Profit on asset sales	2	2	(30)
Pension plans	(12)	(172)	(29)
Other post-retirement benefits	8	–	–
Mozal expansion rights	22	–	–
Employee share plan loans	(16)	–	–
Purchase business combination costs	–	38	–
Expenses on spin-off of OneSteel Limited	–	(30)	–
Asset write-downs	–	–	(891)
Consolidation of Tubemakers of Australia Ltd	–	(1)	(4)
Application of Equity accounting	–	–	164
Tax effect (including the tax effect of above adjustments)	(42)	60	338
<b>Total adjustment</b>	<b>(521)</b>	<b>(227)</b>	<b>(445)</b>
<b>Net income of BHP Billiton Group under US GAAP</b>	<b>1 127</b>	<b>882</b>	<b>589</b>

	2002 US\$	2001 US\$	2000 US\$
Earnings per share – US GAAP <sup>(a)</sup> <sup>(b)</sup>			
Basic	<b>0.187</b>	0.239	0.161
Diluted	<b>0.187</b>	0.238	0.161
Earnings per American Depositary Share (ADS) – US GAAP <sup>(b)</sup> <sup>(c)</sup>			
Basic	<b>0.374</b>	0.478	0.322
Diluted	<b>0.374</b>	0.476	0.322

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

(b) Comparative data has been adjusted to take into account the BHP Billiton Limited bonus share issue effective 29 June 2001.

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



**10 US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued**

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2002 and 2001 that would be required if US GAAP had been applied instead of Australian GAAP:

	2002 US\$M	2001 US\$M
<b>Equity attributable to members</b>		
Total equity attributable to members	<b>12 821</b>	11 847
<i>add/(deduct)</i>		
<i>Estimated adjustment required to accord with US GAAP</i>		
Fair value adjustments on acquisition of BHP Billiton Plc Group <sup>(a)</sup>		
Inventory	–	159
Investments	<b>985</b>	1 034
Property, plant and equipment	<b>2 072</b>	2 156
Undeveloped properties	<b>741</b>	825
Long-term contracts	<b>39</b>	40
Goodwill	<b>2 709</b>	2 770
Long-term debt	<b>13</b>	29
BHP Steel demerger	<b>(264)</b>	–
Property, plant and equipment revaluations	<b>(63)</b>	(68)
Asset write-downs	<b>87</b>	174
Reserves	<b>(15)</b>	–
Restructuring and employee provisions	<b>11</b>	66
Fair value accounting for derivatives	<b>(127)</b>	(624)
Synthetic debt	<b>31</b>	13
Exploration, evaluation and development expenditures	<b>(126)</b>	(66)
Start-up costs	<b>(55)</b>	(53)
Profit on asset sales	<b>(20)</b>	(22)
Pension plans	<b>(109)</b>	(78)
Other post-retirement benefits	<b>(15)</b>	(49)
Mozal expansion rights debtor	<b>(39)</b>	(61)
Employee Share Plan loans	<b>(135)</b>	(59)
Change in fair value of listed investments	<b>10</b>	5
Deferred taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	<b>(1 559)</b>	(1 724)
Deferred taxation adjustments (including the deferred taxation effect of other adjustments)	<b>33</b>	288
<b>Total adjustment</b>	<b>4 204</b>	4 755
<b>Total equity attributable to members according to US GAAP</b>	<b>17 025</b>	16 602

<sup>(a)</sup> In addition to the fair value adjustments on acquisition of the BHP Billiton Plc Group indicated, various adjustments to the net assets of the BHP Billiton Plc Group to reflect US GAAP were also reported. These adjustments have been disclosed in aggregate with similar items relating to the BHP Billiton Limited Group.

## Directors' Declaration

In accordance with a resolution of the Directors of BHP Billiton Limited, the Directors declare that the accompanying concise financial report of the BHP Billiton Group for the year ended 30 June 2002 set out on pages 69 to 87:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with the Accounting Standard AASB 1039 'Concise Financial Reports'.

In our 2002 full financial report we declared that:

- (a) The financial statements and notes comply with the Corporations Act and:
  - (i) comply with applicable Accounting Standards and Corporations Regulations; and
  - (ii) give a true and fair view of the financial position of the BHP Billiton Group as at 30 June 2002 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- (b) In the Directors' opinion:
  - (i) the financial statements and notes are in accordance with the Corporations Act; and
  - (ii) there are reasonable grounds to believe that BHP Billiton Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



D R Argus – Chairman



Brian Gilbertson – Chief Executive

Dated at Melbourne this 9th day of September 2002

# Independent Audit Report

To the members of BHP Billiton Limited:

## Scope

We have audited the concise financial report of BHP Billiton Limited for the year ended 30 June 2002 as set out on pages 66 to 88. The Company's Directors are responsible for the concise financial report. We have conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the Company.

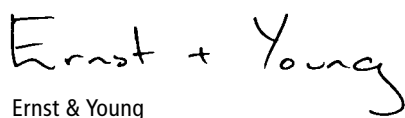
Our audit has been conducted in accordance with Australian Auditing Standards, to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of BHP Billiton Limited for the financial year ended 30 June 2002. Our audit report on the full financial report was signed on 9 September 2002 and was not subject to any qualification.

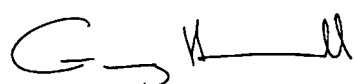
Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which are not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 'Concise Financial Reports' applicable in Australia.

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

## Audit opinion

In our opinion, the concise financial report of BHP Billiton Limited complies with Australian Accounting Standard AASB 1039 'Concise Financial Reports' applicable in Australia.

  
Ernst & Young



G A Hounsell – Partner

Dated at Melbourne this 9th day of September 2002

## Shareholder Information

### Twenty largest shareholders as at 29 August 2002

BHP Billiton Limited		Number of fully paid shares	% of issued capital
1	J P Morgan Nominees	554 878 605	14.88
2	Westpac Custodian Nominees Ltd	461 422 348	12.37
3	National Nominees Ltd	458 867 760	12.30
4	Citicorp Nominees Pty Ltd	200 772 303	5.38
5	Australian Mutual Provident Society	105 300 642	2.82
6	ANZ Nominees Ltd	81 366 551	2.18
7	Commonwealth Custodial Services Ltd	77 636 856	2.08
8	Queensland Investment Corporation	66 486 061	1.78
9	MLC Group of Companies	48 199 762	1.29
10	HSBC Australia Nominees Pty Ltd	33 173 243	0.89
11	RBC Global Services Australia Nominees Pty Ltd	28 690 882	0.77
12	Mercantile Mutual Life Insurance Company	23 068 140	0.62
13	Japan Resources Limited	19 219 200	0.52
14	RBC Global Services Australia Nominees Pty Ltd <RA A/C>	18 857 409	0.51
15	AXA Trustees Ltd	18 225 216	0.49
16	NRMA Group	15 004 074	0.40
17	Commonwealth Superannuation Board of Trustees	14 673 779	0.39
18	Government Superannuation Office <State Super Fund A/C>	12 147 639	0.33
19	RBC Global Services Australia Nominees Pty Ltd <MTRAEF A/C>	10 944 063	0.29
20	Perpetual Trustee Australia Group	10 669 323	0.29
		2 259 603 856	60.58

BHP Billiton Plc		Number of fully paid shares	% of issued capital
1	Plc Nominees Pty Ltd	583 066 303	23.62
2	Chase Nominees Limited	199 751 991	8.09
3	HSBC Global Custody Nominee UK Limited <357206 A/C>	57 233 475	2.32
4	The Bank of New York Nominees Limited	55 655 804	2.25
5	Stanlife Nominees Limited	52 097 902	2.11
6	Mellon Nominees UK Limited <BSDTUSD A/C>	44 726 875	1.81
7	Chase Nominees Limited <LEND A/C>	38 662 870	1.57
8	Guaranty Nominees Limited <ADR01 A/C>	38 558 595	1.56
9	Nortrust Nominees Limited <SLEND A/C>	33 374 812	1.35
10	Chase Nominees Limited <USRESLD A/C>	31 859 817	1.29
11	Prudential Client HSBC GIS Nominee UK Limited <PAC A/C>	31 296 693	1.27
12	Vidacos Nominees Limited <FGN A/C>	26 966 936	1.09
13	Chase Nominees Limited <BGILIFEL A/C>	26 223 213	1.06
14	BNY OCS Nominees Limited	24 582 108	1.00
15	Nutraco Nominees Limited	24 375 354	0.99
16	Nortrust Nominees Limited	22 829 236	0.92
17	Chase Nominees Limited <PUTLEND A/C>	22 431 297	0.91
18	Vidacos Nominees Limited	21 378 805	0.87
19	State Street Nominees Limited <SS01 A/C>	20 717 173	0.84
20	Co-Operative Insurance Society Limited	20 645 113	0.84
		1 376 434 372	55.76

### Substantial shareholders

#### BHP Billiton Limited

The Capital Group Companies Inc, by notice dated 21 August 2002, advised that it had ceased to be a substantial shareholder.

#### BHP Billiton Plc

By notices provided the Company's register of substantial shareholdings showed the following interests in 3 per cent or more of the Company's shares:

	Date of notice	Ordinary shares	%
Plc Nominees Pty Ltd	21 Aug 02	540 360 860	21.89
The Capital Group of Companies	8 Aug 02	154 782 898	6.27
Cater Allen International Ltd	28 May 02	106 835 415*	4.33
Old Mutual Plc	13 Nov 01	98 290 271*	3.98
Franklin & General Investment Management Ltd	20 Sep 01	77 368 390*	3.13
Legal & General Investment Management Ltd	10 Jun 02	75 230 880*	3.05

\* These figures have been adjusted to recognise the bonus issue effective from 22 July 2002.

**Distribution of shareholders and shareholdings as at 29 August 2002**

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares		Shareholders		Shares	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
<b>Registered address</b>								
Australia	298 801	94.1	3 628 739 526	97.3	68	0.7	1 033 787	0.0
New Zealand	9 049	2.8	41 716 945	1.1	8	0.1	19 382	0.0
United Kingdom	5 282	1.7	26 168 582	0.7	6 962	74.3	1 875 638 747	76.0
United States	1 850	0.6	4 641 840	0.1	62	0.7	344 693	0.0
South Africa	46	0.0	121 736	0.0	1 858	19.8	588 844 200	23.9
Other	2 667	0.8	30 755 282	0.8	411	4.4	2 266 193	0.1
<b>Total</b>	<b>317 695</b>	<b>100.0</b>	<b>3 732 143 911</b>	<b>100.0</b>	<b>9 369</b>	<b>100.0</b>	<b>2 468 147 002</b>	<b>100.0</b>

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares		Shareholders		Shares	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
<b>Size of holding</b>								
1 – 500*	76 619	24.2	20 436 073	0.5	2 337	24.9	512 844	0.0
501 – 1 000	59 068	18.6	46 609 324	1.3	1 393	14.9	971 849	0.0
1 001 – 5 000	130 089	41.0	307 683 750	8.2	3 102	33.1	6 906 064	0.3
5 001 – 10 000	27 661	8.7	197 944 031	5.3	687	7.3	4 731 314	0.2
10 001 – 25 000	17 486	5.5	263 824 791	7.1	538	5.7	8 423 568	0.3
25 001 – 50 000	4 150	1.3	142 165 826	3.8	269	2.9	9 652 469	0.4
50 001 – 100 000	1 632	0.5	111 492 863	3.0	239	2.6	16 955 614	0.7
100 001 – 250 000	678	0.2	97 874 540	2.6	283	3.0	44 572 293	1.8
250 001 – 500 000	153	0.0	51 800 985	1.4	165	1.8	58 762 648	2.4
500 001 – 1 000 000	53	0.0	36 817 436	1.0	124	1.3	87 689 457	3.6
1 000 001 and over	106	0.0	2 455 494 292	65.8	232	2.5	2 228 968 882	90.3
<b>Total</b>	<b>317 695</b>	<b>100.0</b>	<b>3 732 143 911</b>	<b>100.0</b>	<b>9 369</b>	<b>100.0</b>	<b>2 468 147 002</b>	<b>100.0</b>

\*Number of BHP Billiton Limited shareholders holding less than a marketable parcel (A\$500) based on the market price of A\$9.27 as at 29 August 2002 was 9 064.

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares		Shareholders		Shares	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
<b>Classification of holder</b>								
Corporate	42 941	13.5	2 682 890 185	71.9	3 512	37.5	2 453 100 890	99.4
Private	274 754	86.5	1 049 253 726	28.1	5 857	62.5	15 046 112	0.6
<b>Total</b>	<b>317 695</b>	<b>100.0</b>	<b>3 732 143 911</b>	<b>100.0</b>	<b>9 369</b>	<b>100.0</b>	<b>2 468 147 002</b>	<b>100.0</b>

# Information for Shareholders

Information for shareholders this year is provided in the 'BHP Billiton Limited Annual Report 2002 – Concise Report' and the 'BHP Billiton Limited Annual Report 2002 – Combined Financial Statements'.

The 'Concise Report' contains key information about BHP Billiton Limited in a concise format. The 'Combined Financial Statements' provides more detailed financial data and information on the BHP Billiton Limited Group's performance.

Note: The concise financial statements and its notes cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the BHP Billiton Group as the full financial statements. Both reports will be provided to shareholders on request and free of charge.

## **Dividend payment by direct credit to a bank, building society or credit union account**

Australian shareholders may have cash dividends paid directly into any bank, building society or credit union account in Australia. New Zealand shareholders may have cash dividends paid directly into a New Zealand bank account. UK shareholders may have cash dividends paid directly into a UK bank or building society account.

When you close or amend your banking arrangements, it is essential you notify BHP Billiton Limited of the new details.

Note: Shareholders in New Zealand and the UK who do not provide direct credit details will receive an Australian currency cheque.

## **Payment in US dollars**

Shareholders with a registered address in the US or Canada will receive a US currency cheque.

## **Change of address**

It is important that shareholders notify BHP Billiton Limited in writing immediately if there is a change to their registered address. For the protection of shareholders, instructions to BHP Billiton Limited need to be in writing and show the Securityholder Reference Number (SRN). Shareholders on the CHESS sub-register should forward the change of address advice to the sponsoring broker quoting the Holder Identification Number (HIN).

## **Stock exchange listings**

BHP Billiton Limited is listed on stock exchanges in Australia, UK (London), Germany (Frankfurt), New Zealand (Wellington), Switzerland (Zurich) and the US (New York).

Note: Trading on the New York Stock Exchange is via American Depositary Shares (each representing two Ordinary shares) evidenced by American Depositary Receipts (ADRs) issued by JPMorgan Chase Bank.

The trustees and dividend-paying banks for internationally registered shares are shown on the inside back cover of this report.

## **Annual General Meeting**

The Annual General Meeting of BHP Billiton Limited will be held at 7.30 pm (Melbourne Time) on Monday 4 November 2002 at the Melbourne Concert Hall.

Details of the business of the meeting are contained in the separate Notice of Meeting enclosed with this Annual Report.

## **Enquiries**

Shareholders who wish to contact BHP Billiton Limited on any matter relating to their share or ADR holdings are invited to telephone the appropriate Shareholder Services office listed on the inside back cover of this report.

Shareholders can also access their current shareholding details through the Shareholder Services link located under 'Investor Centre' on BHP Billiton's website (you will need your Securityholder Reference Number or Holder Identification Number) [www.bhpbilliton.com](http://www.bhpbilliton.com)

Shareholders in Australia may telephone 1300 656 780 or write to:  
Manager Share Department  
BHP Billiton Limited  
GPO Box 782  
Melbourne Victoria 3001  
Australia

## **Access your Annual Report on the web**

BHP Billiton Limited offers an alternative for shareholders to be advised of the availability of the Annual Report through the Company's website via an email notification (refer instructions below).

By providing an email address through our website on the Internet, shareholders will be notified by an email with a direct link to the Annual Report. Notification of other major BHP Billiton Limited announcements will also be emailed to you.

## **Email notification**

Enter BHP Billiton Limited's website [www.bhpbilliton.com](http://www.bhpbilliton.com) and click onto 'Investor Centre' then 'Shareholder Services'. Under the heading 'Your Shareholdings' click on the link 'BHP Billiton Ltd Securityholder Services'. You will be requested to enter your Securityholder Reference Number or Holder Identification Number, family or company name and postcode or country code. This sign-on requirement is a security access validation prior to entering your email address under 'Communication details'. After confirmation of your email address you will receive notification of the availability of future Annual Reports and other BHP Billiton Limited announcements by email.

# Corporate Directory

## **BHP BILLITON LIMITED REGISTERED OFFICE**

### **Australia**

BHP Billiton Limited  
Bourke Place  
600 Bourke Street  
Melbourne VIC 3000

Telephone (61 3) 9609 3333  
Facsimile (61 3) 9609 3015

### **Company Secretary**

Karen J Wood

### **Shareholder Services**

Principal Register and Share Office  
43rd Floor 600 Bourke Street  
Melbourne VIC 3000  
Australia

Telephone (61 3) 9609 4559  
Facsimile (61 3) 9609 4545

### **United Kingdom**

#### ***The Registrar***

Computershare Investor Services Plc  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

Telephone (44 870) 702 0003 (Ext. 7121)  
Facsimile (44 870) 889 3120

### **United States**

#### ***ADR Depositary, Transfer Agent and Registrar***

JPMorgan Chase Bank  
Shareholder Services  
PO Box 43013  
Providence, RI 02940-3013  
USA

Telephone (1 781) 575 4328 (outside of USA)  
1 800 990 1135 (toll-free within USA)  
Facsimile (1 781) 575 4082  
Email: [adr@jpmorgan.com](mailto:adr@jpmorgan.com)

## **Other details provided to assist shareholders.**

### **Germany**

#### ***Trustee***

Deutsche Boerse Clearing AG

#### ***Dividend paying bank***

Deutsche Bank AG

### **Switzerland**

#### ***Trustee***

SEGA Schweizerrische  
Effekten-Giro AG

#### ***Dividend paying bank***

UBS AG  
Credit Suisse First Boston

## **BHP BILLITON CORPORATE CENTRES**

### **United Kingdom**

1-3 Strand  
London WC2N 5HA UK

Telephone (44 20) 7747 3800  
Facsimile (44 20) 7747 3900

Neathouse Place  
London SW1V 1LH UK

Telephone (44 20) 7802 7000  
Facsimile (44 20) 7603 8008

### **South Africa**

6 Hollard Street  
Johannesburg 2001  
Republic of South Africa

Telephone (27 11) 376 9111  
Facsimile (27 11) 838 4716

### **United States**

1360 Post Oak Boulevard, Suite 150  
Houston, TX 77056-3020 USA

Telephone (1 713) 961 8500  
Facsimile (1 713) 961 8400

## **MARKETING OFFICES**

### **Netherlands**

Verheeskade 25  
2521 BE The Hague  
The Netherlands

Telephone (31 70) 315 6666  
Facsimile (31 70) 315 6767

### **Singapore**

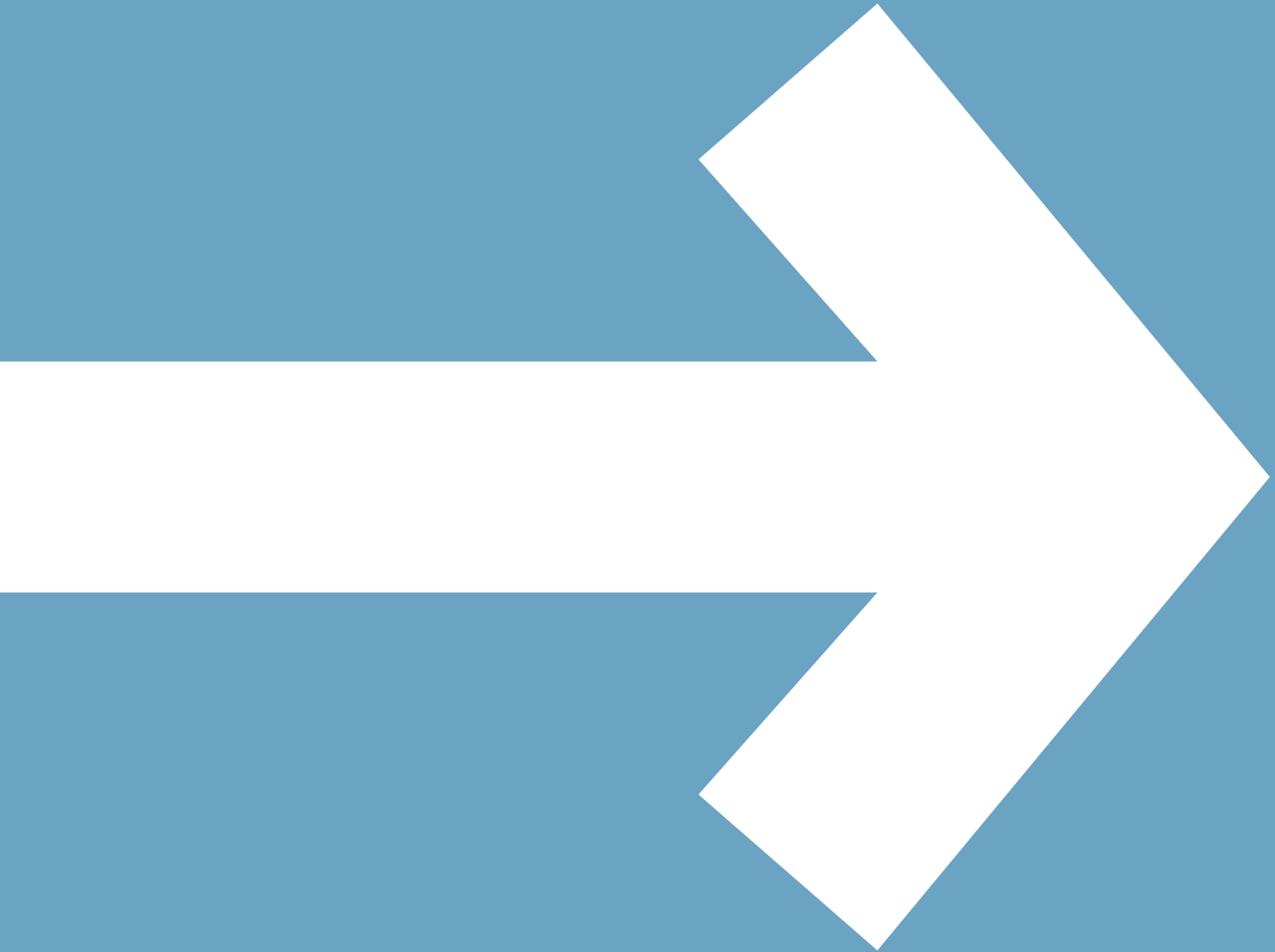
168 Robinson Road  
Capital Tower  
Singapore 068912

Telephone (65) 6349 3333  
Facsimile (65) 6349 4000

## **Receive your Annual Report electronically.**

The BHP Billiton Limited Annual Reports (Concise Report and Combined Financial Statements) are also posted on the Internet. Shareholders are encouraged to visit [www.bhpbilliton.com](http://www.bhpbilliton.com) to inspect the electronic version of the Annual Report and provide feedback to the Company.

The single entity financial statements of BHP Billiton Limited are available on the Company's website ([www.bhpbilliton.com](http://www.bhpbilliton.com)) and are available to shareholders on request free of charge.





## **Addendum to BHP Billiton Limited Annual Report 2002 – Concise Report**

Note 10 to the concise financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised.  
This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Concise Report.

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### **NOTE 10. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES**

The financial statements of the BHP Billiton Group are prepared in accordance with accounting standards generally accepted in Australia (Australian GAAP). Material differences between generally accepted accounting principles as followed by the BHP Billiton Group in Australia and those generally accepted in the US (US GAAP) are presented below.

#### **DLC merger**

On 29 June 2001, BHP Billiton Plc (now BHP Billiton Plc) consummated the Dual Listed Companies (DLC) merger with BHP Limited (now BHP Billiton Limited). A description of the DLC merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'. In accordance with Australian GAAP, the assets, liabilities and equity of the BHP Billiton Plc Group and of the BHP Billiton Limited Group are combined at their respective book values as at the date of consummation of the merger.

Under US GAAP the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. The BHP Billiton Limited Group has been identified as the acquirer because of the majority ownership interest of BHP Billiton Limited shareholders in the DLC structure. Under US GAAP, the reconciliation of shareholders' equity includes the purchase adjustments required under US GAAP to recognise the BHP Billiton Plc Group assets and liabilities at their fair values, with the excess recorded as goodwill.

#### **(A) Reconciliation to US GAAP**

A full description of the nature of the reconciliation is provided in 'BHP Billiton Limited Annual Report 2002 – Combined Financial Statements'.

## Addendum to BHP Billiton Limited Annual Report 2002 – Concise Report

Note 10 to the concise financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised.  
This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Concise Report.

### NOTE 10. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following is a summary of the estimated adjustments to net income for 2002, 2001 and 2000 which would be required if US GAAP had been applied instead of Australian GAAP.

	2002 US\$M	2001 US\$M (restated)	2000 US\$M
<b>Reconciliation of net income</b>			
Net profit attributable to members as reported in the consolidated Statement of Financial Performance: <i>add/(deduct)</i>	<b>1 648</b>	1 109	1 034
<i>Estimated adjustment required to accord with US GAAP:</i>			
Fair value adjustment on acquisition of BHP Billiton Plc Group			
Depreciation, amortisation and other asset movements	(412)	–	–
BHP Steel demerger	(333)	–	–
Employee compensation costs	26	(117)	–
Depreciation – write-downs	(18)	(19)	(34)
– revaluations	5	5	8
– reserves	(15)	–	–
Restructuring and employee provisions	(55)	31	27
Fair value accounting for derivatives	279	(33)	–
Synthetic debt	18	–	–
Realised net exchange (losses)/gains on sale of assets/closure of operations	84	7	26
Exploration, evaluation and development expenditures	(60)	(3)	(4)
Start-up costs	(2)	5	(16)
Profit on asset sales	2	2	(30)
Pension plans	(12)	(172)	(29)
Other post-retirement benefits	8	–	–
Mozal expansion rights	22	–	–
Employee Share Plan loans	(16)	–	–
Purchase business combination costs	–	38	–
Expenses on spin-off of OneSteel Limited	–	(30)	–
Asset write-downs	–	–	(891)
Consolidation of Tubemakers of Australia Ltd	–	(1)	(4)
Application of Equity accounting	–	–	164
Tax effect (including the tax effect of above adjustments)	80	60	338
Total adjustment	(399)	(227)	(445)
Net income of BHP Billiton Group under US GAAP	<b>1 249</b>	882	589
	<b>2002</b>	2001	2000
	US\$	US\$	US\$
Earnings per share – US GAAP (a) (b)			
Basic	<b>0.207</b>	0.239	0.161
Diluted	<b>0.207</b>	0.238	0.161
Earnings per American Depositary Share (ADS) – US GAAP (b) (c)			
Basic	<b>0.414</b>	0.478	0.322
Diluted	<b>0.414</b>	0.476	0.322

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

(b) Comparative data has been adjusted to take into account the BHP Billiton Limited bonus share issue effective 29 June 2001. Refer note 31.

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

## Addendum to BHP Billiton Limited Annual Report 2002 – Concise Report

Note 10 to the concise financial statements – US Generally Accepted Accounting Principles Disclosures – has been revised.  
This version supersedes that included in the BHP Billiton Limited Annual Report 2002 – Concise Report.

### NOTE 10. US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DISCLOSURES continued

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2002 and 2001 that would be required if US GAAP had been applied instead of Australian GAAP:

	2002 US\$M	2001 US\$M
<b>Equity attributable to members</b>		
Total equity attributable to members	<b>12 821</b>	11 847
<i>add/ (deduct)</i>		
<i>Estimated adjustment required to accord with US GAAP</i>		
Fair value adjustments on acquisition of BHP Billiton Plc Group (a)		
Inventory	–	159
Investments	<b>985</b>	1 034
Property, plant and equipment	<b>2 072</b>	2 156
Undeveloped properties	<b>741</b>	825
Long-term contracts	<b>39</b>	40
Goodwill	<b>2 709</b>	2 770
Long-term debt	<b>13</b>	29
BHP Steel demerger	<b>(264)</b>	–
Property, plant and equipment revaluations	<b>(63)</b>	(68)
Asset write-downs	<b>87</b>	174
Reserves	<b>(15)</b>	–
Restructuring and employee provisions	<b>11</b>	66
Fair value accounting for derivatives	<b>(127)</b>	(624)
Synthetic debt	<b>31</b>	13
Exploration, evaluation and development expenditures	<b>(126)</b>	(66)
Start-up costs	<b>(55)</b>	(53)
Profit on asset sales	<b>(20)</b>	(22)
Pension plans	<b>(109)</b>	(78)
Other post-retirement benefits	<b>(15)</b>	(49)
Mozal expansion rights debtor	<b>(39)</b>	(61)
Employee Share Plan loans	<b>(135)</b>	(59)
Change in fair value of listed investments	<b>10</b>	5
Deferred taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	<b>(1 559)</b>	(1 724)
Deferred taxation adjustments (including the deferred taxation effect of other adjustments)	<b>155</b>	288
<b>Total adjustment</b>	<b>4 326</b>	4 755
<b>Total equity attributable to members according to US GAAP</b>	<b>17 147</b>	16 602

(a) In addition to the fair value adjustments on acquisition of the BHP Billiton Plc Group indicated, various adjustments to the net assets of the BHP Billiton Plc Group to reflect US GAAP were also reported. These adjustments have been disclosed in aggregate with similar items relating to the BHP Billiton Limited Group.