

BHP Billiton Group Limited

Directors' report and financial statements

30 June 2002

Registered number 3298904



Directors' report and financial statements

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Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2002.

Principal activity

The principal activity of the Company remains the holding of investments. Following the creation of the BHP Billiton dual listed company, the Company became responsible for the stewardship of the BHP Billiton Plc subsidiaries. The performance of this activity previously resided in BHP Billiton Plc. The Company carries out this activity through service contracts with a number of BHP Billiton group companies.

The name of the Company changed from Billiton Group Limited to BHP Billiton Group Limited on 18 January 2002.

Results and activities

An interim dividend of \$2,806,441 was paid on Ordinary shares during the year (2001: \$280,686,313) and a dividend of \$190,850,000 (2001: \$Nil) was paid on 5% Preference shares during the year. No final dividend was declared. A profit of \$110,083,000 after tax and dividends was made during the year (2001: loss after tax and dividends \$4,339,000). The profit for the year after tax and dividends is transferred to reserves.

On 21 June 2002, the Sole Shareholder approved the consolidation and redesignation of 4 million Ordinary shares of US\$0.50 each to 2 million 5% Preference shares of US\$1.00 each. The Company noted that it had in excess of US\$1.5 billion of share premium and the Sole Shareholder approved the capitalisation of US\$7,000,000 being part of the share premium account, the allotment of 14,000,000 Ordinary shares of US\$0.50 each and the allotment of 1,908,500 5% preference shares of US\$1.00.

Directors and Directors' interests

The Directors who held office during the period were as follows:

E A Hobley	(appointed 29 November 2002)
C L Smit	(resigned 29 November 2002)
P S Aiken	(appointed 20 May 2002)
W B Smith	(appointed 20 May 2002)
M Taylor	(resigned 30 April 2002)
C M Norval	(resigned 20 May 2002)

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company. Directors' interests in the shares of the parent company, BHP Billiton Plc, were as follows:

	30 June 2001 (*or date of appointment if later)		30 June 2002		22 July 2002 (Note 1)	
	Shares	Billiton Share Scheme	Shares	Billiton Share Schemes	Shares	Billiton Share Schemes
C L Smit	4,500	182,515	20,500	159,934	21,817	170,210

Note 1— Balance held following bonus issue of shares due to demerger of BHP Steel.

The operation of the above Share Schemes can be found in the report and accounts of BHP Billiton Plc, the ultimate parent company. Following the Extraordinary General Meeting of 15 May 2001 where shareholders approved the merger of Billiton Plc and BHP Limited including that all outstanding Scheme Awards granted could vest in full, all Awards vested on 20 August 2001. Additional Scheme Awards were granted in October 2001.

On 22 July 2002, shareholders of BHP Billiton Plc were given one new share for every 15.5648 BHP Billiton Plc shares held as a result of the demerger of BHP Steel. Consequently, awards were given to Co-Investment Plan (CIP) and Restricted Share Scheme (RSS) participants on the same basis.

Directors' report (continued)

Directors and Directors' interests (continued)

At the date of Mr Smith's appointment, he held 577 ordinary shares in BHP Billiton Limited and 131,045 Options under Employee Share Plans with exercise prices ranging from A\$8.29 to A\$17.08. At 30 June 2002, he held 577 ordinary shares and 106,263 Options with no change in the range of exercise price. At the date of Mr Aiken's appointment, he held no ordinary shares in BHP Billiton Limited and held 250,000 Options under Employee Share Plans with an exercise price of A\$14.29 and Performance Rights of 55,389 Options. At year end, Mr Aiken held 129,186 ordinary shares in BHP Billiton Limited and 516,275 Options under Employee Share Plan with no change in exercise price and Performance Rights of 254,477 Options. The interests of Mr Smith and Mr Aiken are not required to be disclosed in this Company's Report and Accounts but in the interest of good corporate governance the Company has taken the lead from BHP Billiton Plc on disclosure.

Auditors

Elective resolutions to dispense with the holding of Annual General Meetings, the lodging of accounts before the Company in General Meeting and the appointment of auditors annually were passed on 12 May 1998. KPMG Audit Plc and PricewaterhouseCoopers will therefore be deemed to have been reappointed at the end of 28 days beginning with the day on which copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment is brought to an end.

By order of the Board



W B Smith
Director

Neathouse Place
London
SW1V 1BH
England

29 May 2003

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

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

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

Independent auditors' report to the members of BHP Billiton Group Limited

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to whom this report is shown or into whose hands it may come, other than the company and the company's members as a body, save where expressly agreed by our prior consent in writing.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 June 2002 and of its profit for the year ended 30 June 2002 and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditors
8 Salisbury Square
London
EC4Y 8BB

29 May

2003

PricewaterhouseCoopers
Chartered Accountants
Registered Auditors
1 Embankment Place
London
WC2N 6NN

29 May

2003

Profit and loss account
for the year ended 30 June 2002

USD'000	<u>Note</u>	<u>2002</u>	<u>2001</u>
Administrative expenses		(46,405)	(5)
Operating loss	3	(46,405)	(5)
Income from fixed asset investments	4	353,683	287,197
Interest receivable and similar income	5	474	1
Amounts written off investments	9	-	(2,200)
Interest payable and similar charges	6	(4,013)	(8,646)
Profit on ordinary activities before taxation		303,739	276,347
Tax on profit on ordinary activities	7	-	-
Profit on ordinary activities after taxation		303,739	276,347
Dividends payable	8	(193,656)	(280,686)
Retained profit/(loss) for the period		110,083	(4,339)

The above results are from continuing operations.

There is no difference between the profit before taxation and the retained profit for the year, and their historical equivalents.

Statement of recognised gains and losses

The Company made no other gains or losses in the period other than those shown in the profit and loss account; therefore no separate statement has been prepared.

Balance sheet
at 30 June 2002

USD'000	<u>Note</u>	<u>2002</u>	<u>2001</u>
Fixed assets			
Investments in subsidiary companies	9	1,744,244	1,744,244
Current assets			
Cash		108,678	-
Debtors	10	3,705	6,511
		112,383	6,511
Creditors: amounts falling due within one year	11	(46,426)	(243,319)
Net current assets / (liabilities)		65,957	(236,808)
Total assets less current liabilities		1,810,201	1,507,436
Capital and reserves			
Called up share capital	12	8,911	2
Share premium account	13	1,693,319	1,509,546
Retained earnings / (loss)	13	107,971	(2,112)
Equity shareholder's funds		1,810,201	1,507,436

These financial statements were approved by the Board of Directors on 29 May 2003 and were signed on its behalf by:



W B Smith
Director

Cash flow statement

BHP Billiton Group Limited is a wholly owned subsidiary and is therefore exempt from the preparation of its own cash flow statement.

Reconciliation of movements in shareholders' funds for the year ended 30 June 2002

USD'000	<u>2002</u>	<u>2001</u>
Profit / (loss) for the financial period	110,083	(4,339)
Shares issued during the year	192,682	656,156
Net addition to shareholders' funds	<u>302,765</u>	<u>651,817</u>
Opening shareholders' funds	1,507,436	855,619
Closing shareholders' funds	<u>1,810,201</u>	<u>1,507,436</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets

Investments are stated at cost less provision for permanent diminution in value.

Deferred taxation

The Company fully provides for deferred corporation tax on all timing differences which have arisen but have not reversed at the balance sheet date and which could give rise to an obligation to pay more or less tax in the future.

Related party disclosures

As the Company is a wholly owned subsidiary of BHP Billiton Plc, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of BHP Billiton Plc, within which the Company is included, can be obtained from the address given in note 14.

Foreign currencies

The Company's reporting currency is US Dollars as this is the dominant currency in which the Company operates. Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2 Directors' emoluments

No remuneration was paid to the Directors of the Company during the year (2001: \$Nil).

3 Operating loss

USD'000	<u>2002</u>	<u>2001</u>
Operating loss is stated after the following:		
Auditors' remuneration	(3)	(1)
Service fees	(46 402)	-

Notes (continued)

4 Income from fixed asset investments

USD'000	<u>2002</u>	<u>2001</u>
Dividends from subsidiary companies	353,683	287,197

5 Interest receivable and similar income

USD'000	<u>2002</u>	<u>2001</u>
Third party interest received	458	1
Interest received from fellow group undertakings	16	-
	<u>474</u>	<u>1</u>

6 Interest payable and similar charges

USD'000	<u>2002</u>	<u>2001</u>
Interest payable on bank loans and overdrafts	3,977	8,646
Difference in exchange	36	-
	<u>4,013</u>	<u>8,646</u>

7 Tax on profit on ordinary activities

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

USD'000	<u>2002</u>	<u>2001</u>
Profit on ordinary activities before tax	303,739	276,347
Tax on profit on ordinary activities at 30%	91,122	82,904
Expenses not deductible for tax purposes (write-off of investment)	-	660
Losses arising but not utilised in the period	14,983	2,595
Dividends from UK companies not taxable	(106,105)	(86,159)
Current tax charge for the period	<u>-</u>	<u>-</u>

No deferred tax is recognised on tax losses carried forward of £11million (£3million @ 30%) as the Company is not expected to generate sufficient profits against which the losses may be offset in the foreseeable future.

Notes (continued)

8 Dividends payable

USD'000	<u>2002</u>	<u>2001</u>
Ordinary shares		
Interim paid of \$795.70 (2001: \$80,377.87) per share	2,806	280,686
Second Interim paid of \$Nil (2001: \$795.70) per share	-	2,806
Recovery of dividend	-	(2,806)
5% Preference shares		
Dividend of \$100 (2001: \$Nil) per share	190,850	-
	<u>193,656</u>	<u>280,686</u>

Subsequent to 30 June 2001, the Company recognised that it had insufficient *distributable profits* to pay the second interim dividend of \$2,806,441 on 24 May 2001 and has received repayment of that dividend from its parent company. On 21 December 2001, following confirmation of sufficient distributable profits, the sum of \$2,806,441 was paid.

9 Investment in subsidiary companies

USD'000	
Cost	
At 1 July 2001 and 30 June 2002	<u>1,746,444</u>
Provisions	
At 1 July 2001 and 30 June 2002	<u>2,200</u>
Net book value	
At 30 June 2001 and 30 June 2002	<u>1,744,244</u>

Subsidiary Companies

Name	Country of Incorporation	Nature of Business	Description of shares	Ownership
BHP Billiton Holdings Limited	England and Wales	Holding Company	Ordinary shares	100%
BHP Billiton (UK) Limited	England and Wales	Holding Company	Ordinary shares	100%

Notes (continued)

10 Debtors

USD'000	<u>2002</u>	<u>2001</u>
Amount owed by group companies	3,705	6,511
	<u>3,705</u>	<u>6,511</u>

11 Creditors: amounts falling due within one year

USD'000	<u>2002</u>	<u>2001</u>
Bank loans and overdrafts	-	243,316
Amount owed to group companies	46,426	3
	<u>46,426</u>	<u>243,319</u>

12 Called up share capital

	<u>2002</u>	<u>2001</u>
<i>Authorised</i>		
5.5% Preference shares of £1 each	£50,000	£50,000
5% Preference shares of US\$1.00 each	US\$2,000,000	nil
Ordinary shares of US\$0.50 each	US\$2,496,000,000	US\$2,500,000,000
 <i>USD'000</i>		
<i>Allotted, called up and fully paid</i>		
1 5.5% Preference share of £1 (2001: 1)	-	-
1,908,500 5% Preference shares of US\$1.00 (2001: Nil)	1,909	-
14,003,527 Ordinary shares of US\$0.50 (2001: 3,527)	7,002	2
	<u>8,911</u>	<u>2</u>

During the year, 1,908,500 5% Preference shares with a nominal value of US\$1.00 each were issued at a price of US\$192,682,160. In addition to an annual 5% preference dividend, these shares entitled their holders to a dividend of \$100 per share, payable within three days of issue of the shares. A capitalisation issue out of share premium of 14,000,000 fully paid Ordinary shares, with a nominal value of US\$0.50 each, was made to the shareholders of the company.

Notes *(continued)*

13 Reserves

USD'000	<u>Profit and loss</u>	<u>Share premium</u>
Balance at 1 July 2001	(2,112)	1,509,546
Premium on shares issued in year	-	190,773
Capitalisation of share premium to issue ordinary shares		(7,000)
Profit for the year	<u>110,083</u>	
Balance at 30 June 2002	<u>107,971</u>	<u>1,693,319</u>

14 Ultimate parent company

The immediate and ultimate parent company of BHP Billiton Group Limited is BHP Billiton Plc, a company listed on the London Stock Exchange. The registered office of BHP Billiton Plc is Neathouse Place, London SW1V 1BH.