

BHP Billiton Group Limited

Directors' report and financial statements

30 June 2003

Registered number 3298904



Directors' report and financial statements

Contents

Directors' report	2 - 3
Statement of Directors' responsibilities	3
Independent auditors' report to the members of BHP Billiton Group Limited	4
Profit and loss account	5
Balance sheet	6
Cash flow statement and Reconciliation of movements in shareholders' funds	7
Notes to the financial statements	8 - 11

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2003.

Principal activity

The principal activity of the Company remains the holding of investments. The Company is also responsible for the stewardship of the BHP Billiton Plc subsidiaries. The Company carries out these activities through service contracts with a number of BHP Billiton group companies.

Results and activities

A loss of USD (107 446 000) was made during the year (2002 profit : USD 110 083 000). No dividends in respect of Ordinary shares of the Company were paid nor declared during the year (2002 : dividends of USD 2 806 441 paid). A dividend of USD 95 425 was paid in respect of 5% Preference shares (2002 : USD 190 850 000).

Post Balance Sheet event

An interim dividend of USD 263 476 000 was declared from the profits for the year ended 30 June 2003 on 6 August 2003 and paid on 6 August 2003.

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	
W B Smith	

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:

	29 November 2002		30 June 2003	
	Shares	Share Schemes	Shares	Share Schemes
E A Hobley	-	6 857	-	6 857

An award of shares under the BHP Billiton Plc Group Incentive Scheme was granted on 12 November 2002. There were no exercises during the year. Details of each of the BHP Billiton Plc Share Schemes in operation can be found in their report and accounts and copies can be obtained by contacting the registered office of that company.

At 30 June 2002, Mr Smith held 577 ordinary shares and 106 263 Options in BHP Billiton Limited. At 30 June 2003, Mr Smith held 577 ordinary shares in BHP Billiton Limited. An award of shares under the BHP Billiton Limited Group Incentive Scheme was granted on 12 November 2002. At 30 June 2003, Mr Smith held 125 679 Options. The exercise price on Mr Smith's Employee Share Plan Options was adjusted on issue on 5 July 2002 as a result of the BHP Steel demerger capital reduction. Fully paid ordinary shares were not entitled to bonus shares in BHP Billiton Limited but received one BHP Steel share for every five BHP Billiton Limited shares held.

At 30 June 2002, Mr Aiken held 129 186 ordinary shares and 753 659 Options in BHP Billiton Limited. At 30 June 2003, Mr Aiken held 133 801 ordinary shares and 928 870 Options in BHP Billiton Limited. The exercise price on Mr Aiken's Employee Share Plan Options on issue at 5 July 2002 was adjusted as a result of the BHP Steel demerger capital reduction, while Mr Aiken's Performance Share Plan Options (awarded at nil consideration) on issue at 5 July 2002 received accrued bonus shares to reflect the effect of the BHP Steel capital reduction.

Mr Aiken's share interests and Mr Smith's share interests in BHP Billiton Limited are not required to be disclosed in this Company's Report and Accounts but in the interest of good corporate governance, as a result of the dual listed companies merger between BHP Billiton Plc and BHP Billiton Limited, the Company has taken the lead from BHP Billiton Plc on disclosure. Details of the BHP Billiton Limited Share Schemes can be found in the report and accounts of that company and copies can be obtained by contacting the registered office of BHP Billiton Group Limited.

Directors' report *(continued)*

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. On 26 June 2003, PricewaterhouseCoopers resigned as joint auditors of the Company. KPMG Audit Plc 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.

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 confirm that the financial statements comply with the above requirements.

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.

By order of the Board



W B Smith
Director

Neathouse Place
London
SW1V 1BH

05 February 2004

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

We have audited the financial statements on pages 5 to 11.

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

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Directors' report and, as described on page 3 the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

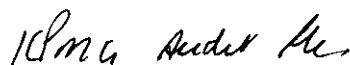
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y8BB

10 February 2004

Profit and loss account
for the year ended 30 June 2003

USD'000	Note	<u>2003</u>	<u>2002</u>
Other operating income		(14)	-
Other operating expenses		<u>(79 853)</u>	<u>(46 405)</u>
Operating loss		(79 867)	(46 405)
Income from shares in group undertakings	3	235 496	353 683
Interest receivable and similar income	4	497	474
Interest payable and similar charges	5	<u>(1)</u>	<u>(4 013)</u>
Profit on ordinary activities before taxation	6	156 125	303 739
Tax on profit on ordinary activities	7	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		156 125	303 739
Dividends payable	8	<u>(263 571)</u>	<u>(193 656)</u>
Retained (loss)/profit for the year		<u>(107 446)</u>	<u>110 083</u>

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 year other than those shown in the profit and loss account; therefore no separate statement has been prepared.

Balance sheet
as at 30 June 2003

USD'000	Note	<u>2003</u>	<u>2002</u>
Fixed assets			
Investments in subsidiary companies	9	<u>1 744 244</u>	<u>1 744 244</u>
		1 744 244	1 744 244
Current assets			
Debtors	10	235 496	3 705
Cash at bank and in hand		<u>-</u>	<u>108 678</u>
		235 496	112 383
Creditors: Amounts falling due within one year	11	<u>(276 985)</u>	<u>(46 426)</u>
Net current (liabilities)/assets		<u>(41 489)</u>	<u>65 957</u>
Net Assets		<u>1 702 755</u>	<u>1 810 201</u>
Capital and reserves			
Called up share capital	12	8 911	8 911
Share premium account	13	1 693 319	1 693 319
Profit and loss account	13	<u>525</u>	<u>107 971</u>
Equity shareholders' funds		<u>1 702 755</u>	<u>1 810 201</u>

These financial statements were approved by the Board of Directors on 05 February 2004 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 movement in shareholders' funds

for the year ended 30 June 2003

USD'000	<u>2003</u>	<u>2002</u>
(Loss)/profit for the financial year	(107 446)	110 083
Shares issued during the year	-	192 682
Net addition in shareholders' funds	(107 446)	302 765
Opening shareholders' funds	<u>1 810 201</u>	<u>1 507 436</u>
Closing shareholders' funds	<u>1 702 755</u>	<u>1 810 201</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.

Going concern basis

The financial statements have been prepared on a going concern basis. The Company had current liabilities in excess of current assets by USD 41 489 000 at 30 June 2003. Although no formal letter of support has been received, the Directors believe that other Group companies will continue supporting the Company and make available sufficient funds to enable it to trade in the foreseeable future.

Basis of preparation

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

Fixed assets

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

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

The Company complies with FRS 19 "Deferred Tax" which requires the company to fully provide 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 Financial Reporting Standard 8 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. Remuneration of Directors

No remuneration was paid to the Directors of the Company during the year (2002: USD nil).

USD'000

2003

2002

3. Income from shares in group undertakings

Dividends from subsidiary companies

235 496

353 683

Notes (continued)

USD'000	<u>2003</u>	<u>2002</u>
4. Interest receivable and similar income		
Other	497	458
Receivable from fellow group undertakings	-	16
	<u>497</u>	<u>474</u>

USD'000	<u>2003</u>	<u>2002</u>
5. Interest payable and similar charges		
On bank loans and overdrafts	1	3 977
Net exchange losses	-	36
	<u>1</u>	<u>4 013</u>

USD'000	<u>2003</u>	<u>2002</u>
6. Profit on ordinary activities before tax		
Profit on ordinary activities before tax is stated after charging:		
Auditors' remuneration - Audit	9	3
Loss on foreign exchange	14	-
Service fees	497	46 402
	<u>497</u>	<u>46 402</u>

USD'000	<u>2003</u>	<u>2002</u>
7. Tax on profit on ordinary activities		
Factors affecting the tax charge for the year		
Profit on ordinary activities before tax	156 125	303 739
• Tax thereon at 30% (2002 : 30%)	46 838	91 122
• Exempt income (dividends from UK companies)	(70 649)	(106 105)
• Group relief (utilised)/available for surrender	23 811	14 983
Tax provision	<u>-</u>	<u>-</u>

United Kingdom taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income and Corporation Taxes Act 1988. No corporation tax has been provided for because other companies in the group have undertaken to surrender free group relief to the extent it is required.

There are no timing differences that result in a provision for deferred tax for either the year ended 30 June 2003 or the year ended 30 June 2002.

Notes (continued)

USD'000 2003 2002

8. Dividends and other appropriations

Ordinary shares

Interim paid of USD 18.81 per share (2002: USD 795.70) 263 476 2 806

5% Preference shares

Dividend of USD 0.05 (2002: USD 100.00) per share 95 190 850
263 571 193 656

USD'000 2003

9. Investments in subsidiary companies

Cost

At beginning and end of year 1 746 444

Provisions

At beginning and end of year 2 200

Net book value

At beginning and end of year 1 744 244

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%

USD'000 2003 2002

10. Debtors

Amounts owed by group undertakings 235 496 3 705
235 496 3 705

USD'000 2003 2002

11. Creditors: Amounts falling due within one year

Amounts owed to group undertakings 321 46 426
Bank overdraft 13 188 -
Dividends payable 263 476 -
276 985 46 426

Notes *(continued)*

	<u>2003</u>	<u>2002</u>
12. Called up share capital		
<i>Authorised</i>		
- ordinary shares of USD 0.50 each	USD 1 248 000 000	USD 1 248 000 000
- 5.5% preference shares of £1 each	£50 000	£50 000
- 5% preference shares of USD 1 each	USD 2 000 000	USD 2 000 000
USD'000		
<i>Allotted, called up and fully paid</i>		
- 14 003 527 ordinary shares of USD 0.50 each	7 002	7 002
- 1 5.5% preference share of £1 each	-	-
- 1 908 500 5% preference shares of USD 1 each	<u>1 909</u>	<u>1 909</u>
	<u>8 911</u>	<u>8 911</u>
USD'000		
	<u>2003</u>	<u>2003</u>

13. Share premium and reserves

	<i>Profit and loss account</i>	<i>Share premium account</i>
At beginning of year	107 971	1 693 319
Retained loss for the year	<u>(107 446)</u>	<u>-</u>
At end of year	<u>525</u>	<u>1 693 319</u>

14. Ultimate parent company

The immediate and ultimate holding 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.