

AFAANZ Conference

IFRS Panel Discussion

Implementation hurdles (and opportunities)



bhpbilliton

Background to BHP Billiton IFRS implementation

- Dual listed company structure
 - Reporting requirements for two public companies in multiple jurisdictions
- UK GAAP and A GAAP heritage
- US registrant with US GAAP reporting obligations
- Several hundred subsidiaries in many countries with numerous domestic GAAP's

- Hurdles fall into three categories
 - Standards
 - Environment
 - Process

Hurdles with the standards

- An incomplete framework
 - No solution for DLC's
 - No standard for extractive industry
- An immature framework
 - Less well developed standards
 - Interaction between standards not well examined
- A backward step in quality for many standards
 - Implementation guidance (e.g. income tax)
 - Principles (e.g. equity accounting)
- But a forward step in other cases
 - Equity remuneration, superannuation

Hurdles with the environment

- Confusion over the role of local standard setters
- Propensity for AASB to modify standards
 - Joint venture entity accounting
 - Superannuation
 - Discontinued operations - comparatives
- Different pace of implementation by country regulators
 - UK ASB, SEC, EU endorsement
- Lack of market depth in knowledge
 - Audit firms hamstrung on interpretation
 - Conservative (protective) rather than constructive interpretation
 - Concern over investor market understanding
- Clash with other regulatory requirements – particularly tax law

Hurdles with the Process

- Clash of priorities
 - Coincided with Sarbanes Oxley implementation
 - Clash with business improvement initiatives
- Changing from a non-uniform base
 - Local familiarity with local GAAP and regional perceptions of IFRS
- Maintaining multiple channels – 4 GAAP's open right now
- “Early explorer” syndrome
 - Lack of authoritative interpretation
 - Tension around US GAAP differences

Opportunities

- Promise for one uniform external reporting “language”
- Elimination of US GAAP reconciliations
- Eliminate multiplicity of local GAAP’s
- Supports goal of a uniform financial control environment

But

- We can only afford one global standard setter for a global capital market – SEC, FASB or IASB?
- “Industry” infrastructure for developing and interpreting standards needs resolution

OUTCOMES

Disclaimer

The information provided in this presentation is our current best estimate of the consequences for BHP Billiton of adopting International Financial Reporting Standards (IFRS) and have not been independently verified or audited. Consequently the information provided remains subject to change. Continued development and interpretation of accounting standards by relevant authorities, and further work on implementation by BHP Billiton could affect the ultimate differences between UKGAAP, Australian GAAP and IFRS and their impact on the Group's financial results in future periods. No representation or warranty is made as to the accuracy, completeness or reliability of the information. Any forward looking information in this presentation has been prepared on the basis of a number of assumptions which may prove to be incorrect. This presentation must not be relied upon as a recommendation or forecast by BHP Billiton.



Impact of IFRS for BHP Billiton

Application of IFRS does not impact:

- BHP Billiton's strategy and underlying business operations
- Cash flows, the ability to borrow funds or pay dividends

- Majority of International Financial Reporting Standards will have little or no impact on BHP Billiton results or accounting policies
- Key differences that do occur are:
 - Pension and medical schemes
 - Goodwill
 - Employee share schemes
 - Income tax
 - Dividend provisions
 - Jointly controlled entities
 - Financial Instruments ¹

1. IAS 39: Financial Instruments: Recognition and Measurement, and IAS 32: Financial Instruments Disclosure and Presentation do not apply to comparative data. The requirements of these standards are not considered throughout this presentation. Refer slide 12 for

Consolidated Income Statement ¹

Half year ended 31 December 2004

US\$million	UKGAAP ²	Gross equity acc'g ³	Measurement differences ⁴				IFRS with consolidated jointly controlled entities ⁵	Jointly controlled entities ⁵	IFRS
			Pension & medical schemes	Goodwill	Employee share schemes	Income tax			
Gross Revenue	15 521	39					15 560		15 560
Share of JV's	(1 305)	-					(1 305)	(1 144)	(2 449)
Group revenue ²	14 216	39	-	-	-	-	14 255	(1 144)	13 111
Other income	125	-	-	-	-	-	125	(2)	123
Expenses excluding finance costs	(10 471)	(39)	(48)	1	24	-	(10 533)	377	(10 156)
Income from equity accounted Joint Ventures	388	(142)	-	-	-	(3)	243	619	862
EBIT	4 258	(142)	(48)	1	24	(3)	4 090	(150)	3 940
Net financing costs	(259)	40	(8)	-	-	-	(227)	35	(192)
Profit before tax	3 999	(102)	(56)	1	24	(3)	3 863	(115)	3 748
Income tax	(1 131)	102	17	-	(5)	92	(925)	115	(810)
Profit after tax	2 868	-	(39)	1	19	89	2 938	-	2 938
Equity minority interests	(111)	-	-	-	-	-	(111)	-	(111)
Net profit	2 757	-	(39)	1	19	89	2 827	-	2 827

1. Excludes items treated as exceptional under UKGAAP.

2. Refer slide 21 for further information.

3. IFRS does not permit presentation of results for equity accounted investments using the 'gross' method.

4. Refer slides 5 to 9 for further information.

5. IFRS with consolidated jointly controlled entities reflects application of proportional consolidation for jointly controlled entities. Refer slide 23 for further information.

Consolidated Balance Sheet

As at 31 December 2004

US\$million	UKGAA P	Liquidity	Other ¹	Measurement differences ²					IFRS with consolidate d jointly controlled entities ³	Jointly controlle d entities ³	IFRS
				Pension & medical scheme	Goodwil l	Empl e share schemes	Incom e tax	Dividen d			
Current Assets	8 520	(1 835)	(110)	5	-	-	-	-	6 575	(697)	5 878
Non Current Assets	23 733	1 835	175	(225)	389	10	1 097	-	27 014	(964)	26 050
Total Assets	32 253	-	65	(225)	389	10	1 097	-	33 589	(1 661)	31 928
Current Liabilities	5 674	675	65	-	-	-	-	(817)	5 597	(515)	5 082
Non Current Liabilities	11 811	(675)	-	319	-	-	1 774	-	13 229	(1 146)	12 083
Total Liabilities	17 485	-	65	319	-	-	1 774	(817)	18 826	(1 661)	17 165
Net Assets	14 768	-	-	(544)	389	10	(677)	817	14 763	-	14 763
Minority interests	422	-	-	-	5	-	-	-	427	-	427
Attributable net assets	14 346	-	-	(544)	384	10	(677)	817	14 336	-	14 336

¹ Refer slide 22 for further detail.

² Refer slides 5 to 10 for further information.

³ IFRS with consolidated jointly controlled entities reflects application of proportional consolidation for jointly controlled entities. Refer slide 24 for further information.