



Group Accounting / Controller

15 April 2004

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street  
NW, Washington DC 20549-0609  
USA

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Dear Mr. Katz

**First-Time Application of International Financial Reporting Standards –  
File Number S7-13-04**

We support the objective of the proposed amendments to Form 20-F that reduce the financial reporting burden for foreign private issuers registered with the SEC that are converting to international financial reporting standards (“IFRS”).

The proposed amendments alleviating the need for two years of comparative information align with our views and overcome our concerns, expressed in our letter to the SEC dated 28 August 2003. We attach a copy of that letter for your information.

With respect to the specific proposed amendments to Form 20-F we respond to a number of the issues posed in your request for comment as follows:

1. The proposed amendments to permit the presentation of two (rather than three) years of IFRS financial statements for foreign private issuers adopting IFRS coupled with the permitted exclusion of financial statements prepared on the basis of previous GAAP is consistent with serving the best interests of investors as this avoids confusion around comparative balances and accounting policies. Investors will continue to receive US GAAP financial information for the three-year period, and in many instances will receive an enhanced set of US GAAP financial information. With respect to primary GAAP financial information, the focus of the IASB and national standard setters is to implement a clean change over to IFRS with reconciliation of existing GAAP to IFRS. Investors are seeking clarity of financial information and a uniform basis of reporting. The common needs of the standard setters and investors are best satisfied with a minimal transition period.

We also highlight the fact that the transition mechanisms of IFRS1 are likely to result in an IFRS financial outcome for 2003, 2004 and 2005 that are not themselves comparable. For example, IFRS2 (Share based payment) and IAS39 (Financial instruments) will not need to be applied in the preparation of IFRS compliant 2003 financial information.

The recasting of 2003 comparative financial information could be misleading as it may be misinterpreted as having been prepared on a basis consistent with the 2005 financial information. Investors would be better served by the existing series of historical GAAP financial information for 2003 and prior.

2. Having three years of condensed US GAAP information, consistent with say the level of detail required for interim financial statements prepared under Article 10 of Regulation S-X, should not create an enormous burden on preparers whom have previously filed in the US. We have some concern at the potential for confusion when investors attempt to compare the trends for three years of US information with trends for two years of IFRS information. However, this confusion may be alleviated with the reconciliations between USGAAP and IFRS for the two most recent years. Further, we see this risk of confusion being mitigated by the omission of a third year of IFRS financial information, rather than the reverse.
3. In the interests of promoting transition to IFRS and avoiding confusion of investors, we believe it is more appropriate to prohibit issuers including Previous GAAP financial statements and financial information in their IFRS based filings. We believe that the issuer should be able to make reference to other SEC filings or other documents that include such financial statements and information, however such references should not be used in a manner that seeks to contradict or present an “alternative view” to the financial outcomes arising under IFRS.
4. We request clarification be provided as to whether a registration document as of a date more than 9 months beyond the most recent audited financial statements, should in fact be extended to the period after which the half year report has been released and the end of the transition year, as any issued financial report would be required to be included in the registration document.
5. The proposed accommodation does not satisfactorily deal with situations when the company is required to file a registration document as of a date more than 9 months beyond the most recent audited financial statements. Without further accommodation, existing rules would require the company to present financial statements for the interim period falling within the transition year (herein defined by the SEC as the first year of IFRS application, that is not the comparative period/s) in accordance with previous GAAP. We believe this will be an onerous requirement, as we would expect many companies to discontinue the preparation of previous GAAP financial information once the transition year has commenced – this is certainly BHP Billiton’s plan with respect to IFRS transition. The previous GAAP to IFRS reconciliation requirements of IFRS1 do not require the maintenance of previous GAAP beyond the commencement of the transition year, and for some companies we expect the changes in processes and systems to implement IFRS are so pervasive that to implement such changes and maintain existing systems would be beyond their capability. While the legislative situation in Australia has not been finalised, we would expect the publication of previous GAAP data once IFRS has been implemented would be illegal (it is currently illegal under Australian Corporations Act section 2M.3, to present information on a basis contrary to Australian GAAP unless it is necessary to ensure a true and fair view is presented).

When the transition Year is year 2004 or 2005, the SEC’s request for comments contemplates an alternative solution - in lieu of requiring both previous GAAP and available IFRS interim financial statements for two years, the company would be required to present audited financial statements prepared in accordance with IFRS for the last full financial year, with unaudited IFRS financial statements for interim periods in both years.

While this solution avoids the need to maintain previous GAAP capabilities after commencement of the transition year, it will accelerate IFRS implementation plans where they do not contemplate the audit of restated comparative financial statements until the transition year financial statements are audited. This as a consequence also accelerates accounting policy decision making. We have major concerns about this approach, and consider it preferable that the full year financial statements be unaudited. If the SEC does not consider this appropriate, the alternative solution of having audited IFRS annual financial statements is still preferable to the alternative described above. Despite not being in technical compliance with IFRS 1, which requires one year of comparative information, the SEC should allow qualified audit reports that are qualified for this reason.

The most practical solution to this problem is to permit companies to provide the three years of annual financial statements in accordance with previous GAAP, and the two interim period financial statements in accordance with IFRS. A further proposed alternative of interim financial statements using two basis of accounting is confusing and will detract from the investors' ability to make an informed decision. Without some form of relief, the benefits resulting from the proposed amendments may be lost. The forced alternative anticipated by the SEC (to exclude the company from accessing the US market when raising capital or debt during the time that annual financial statements are out of date) is detrimental to all concerned. An outcome forcing issuers to choose between incurring the additional burden and costs, and delaying or revisiting business decisions, is not in the best interests of the issuers or the US economy.

With respect to eligibility, Section II A. states that the accommodation will not be available to a company adopting a set of accounting standards that includes deviations from the standards promulgated by the IASB and IASC. It also states that accommodation would only be available to a company that is able to state unreservedly and explicitly that its general-purpose financial statements comply with IFRS. These statements appear to be actioned by the text of proposed General Instruction G (a), which refers to a company changing the body of accounting principles used in the preparation of its financial statements to the IFRS published by the IASB. In many countries, national standard setters are implementing financial reporting under IFRS by modifying their own national accounting standards as part of an IFRS harmonisation or convergence program. Affected companies will therefore not be reporting under "IFRS issued by the IASB". In Australia, the body of Australian accounting standards has been modified to converge with the requirements of IFRS, however that body of standards will differ to IFRS where the AASB has elected to prohibit a choice of accounting policy otherwise permitted by IFRS, or has preserved Australian accounting standards not adequately addressed by IFRS (such as in the case of life and general insurance accounting). Notwithstanding these divergences, Australian companies will be able to make an unreserved statement of compliance with IFRS. We believe the intent of the SEC is to include companies reporting under such regimes within the scope of its accommodation, and suggest the SEC confirm that the text of General Instruction G achieves this outcome.

Yours sincerely,



**Nigel Chadwick**

Vice President Group Accounting / Controller

Group Accounting/Controller



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28 August 2003

Ms Susan Koski-Grafer  
Securities Exchange Commission  
450 Fifth Street, NW  
Washington DC 20549  
USA

Dear Ms Koski-Grafer

### **Implementation of IFRSs – Presentation of Comparatives**

As a SEC Registrant, BHP Billiton is required in Form 20-F to show two years of comparative information. SEC Rules require all three years of financial information to be prepared using the same basis of accounting.

In Australia, the UK, and many other jurisdictions, International Financial Reporting Standards (IFRS) are to be adopted for all years beginning on or after 1 January 2005. Thus for BHP Billiton, the year-ending 30 June 2006 will be the first year of adopting IFRS. Under IFRS 1, an entity's first IFRS financial statements shall include at least one year of comparative information. Under Australian and UK reporting requirements, only one year of comparative information is required. To satisfy the SEC Rules, comparatives will be required for each of the two years' ending 30 June 2004 & 30 June 2005 - the restatement of comparative period ending 30 June 2004 imposes an additional burden on many foreign registrants including us.

The additional burden takes a number of forms, including:

- Additional administrative and accounting resources dedicated to an additional year's preparatory work under IFRS
- Duplication of effort and unnecessary complexity – as a result of changes in the current standards or the introduction of new standards, initial assessments of financial and business impact, system modifications, process changes and other work performed at a preliminary date, will require rework or modification
- Additional audit and consulting costs
- Having to rework or bridge the already reported results, from 1 July 2003 up to the stage of being able to produce IFRS compliant / "go-live" results.

Further, the rollback of the initial IFRS transition date by a further year for SEC registrants will result in a disparity in accounting outcomes when compared to non-SEC registrants.

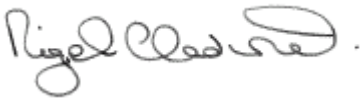
For example, business combinations undertaken in the 2004 fiscal year for SEC registrants will be accounted for in accordance with the entire IFRS framework in force at 30 June 2006, whilst for non-SEC registrants under respective local GAAP frameworks. An illustration of where a difference may arise is in a business combination where the fair value measurements under IAS may differ to those under either UKGAAP or AGAAP - for example significant tax temporary differences.

We also note that preparation of the 2004 financial information in accordance with IFRS's for SEC reporting purposes would require designating 1 July 2003 as the date of transition to IFRS. However, this would be in breach of IFRS1, which defines that date to be the beginning of the earliest period for which an entity presents full comparative information under IFRS. As under SEC requirements the second year of comparative information does not constitute a full set of financial statements (no balance sheet or supporting notes thereof are required), the transition date for IFRS must be by definition 1 July 2004.

We request that the SEC consider relaxing the requirement for showing two years of comparative information under the same basis of accounting when adopting IFRS for the first-time. We request that in the first year of application, foreign registrants be permitted to show one year of IFRS compliant comparatives and the preceding comparative period under the former reported GAAP, with additional information being disclosed regarding this basis of preparation, together with reconciliations between the previous GAAP and IFRS as required by IFRS1 . This approach is consistent with IFRS 1.

For BHP Billiton, this would imply that for the year ending 30 June 2006, comparative information for the year ending 30 June 2004 would be shown under UKGAAP or AGAAP respectively and 30 June 2005 under IFRS, with reconciliations of equity, profit and loss, and cash flows between UKGAAP or AGAAP and IFRS shown in accordance with IFRS 1.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Nigel Chadwick".

**Nigel Chadwick**

Vice President Group Accounting / Controller