# BHP Billiton Limited (single parent entity)

ABN 49 004 028 077

# Financial Statements - 30 June 2005

# Contents



**Registered Address:**
180 Lonsdale Street, Melbourne, Victoria, Australia

## BHP Billiton Limited (single parent entity)
## Statement of financial performance
For the year ended 30 June 2005

| | Notes | **2005 A$M** | 2004 A$M |
|---|---|---|---|
| **Revenue from ordinary activities** | 2 | **5,932** | 9,940 |
| Expenses from ordinary activities excluding borrowing costs | 3 | **(439)** | (386) |
| Borrowing costs | 3 | **(673)** | (807) |
| **Profit from ordinary activities before income tax expense** | | **4,820** | 8,747 |
| Income tax expense relating to ordinary activities | 4 | **(125)** | (22) |
| **Profit from ordinary activities after income tax expense** | | **4,695** | 8,725 |
| **Total changes in equity other than those resulting from transactions with owners** | 23 | **4,695** | 8,725 |

*The above statement of financial performance should be read in conjunction with the accompanying notes.*

**BHP Billiton Limited (single parent entity)**
**Statement of financial position**
As at 30 June 2005

| | Notes | 2005 A$M | 2004 A$M |
|---|---|---|---|
| **Current assets** | | | |
| Cash assets | 5 | **-** | - |
| Receivables (a) | 6 | **31,269** | 28,446 |
| Other assets | 7 | **4** | 3 |
| **Total current assets** | | **31,273** | 28,449 |
| **Non-current assets** | | | |
| Receivables (a) | 8 | **5,240** | 5,614 |
| Other financial assets | 9 | **22,305** | 22,305 |
| Property, plant and equipment | 10 | **1** | 2 |
| Deferred tax assets | 11 | **163** | 369 |
| Other assets | 12 | **1** | 1 |
| **Total non-current assets** | | **27,710** | 28,291 |
| **Total assets** | | **58,983** | 56,740 |
| **Current liabilities** | | | |
| Payables (a) | 13 | **31,012** | 30,149 |
| Interest bearing liabilities | 14 | **1** | 1 |
| Tax liabilities | 15 | **493** | 20 |
| Provisions | 16 | **144** | 80 |
| **Total current liabilities** | | **31,650** | 30,250 |
| **Non-current liabilities** | | | |
| Payables (a) | 17 | **87** | 325 |
| Interest bearing liabilities (a) | 18 | **5,696** | 5,971 |
| Deferred tax liabilities | 19 | **827** | 851 |
| Provisions | 20 | **83** | 128 |
| **Total non-current liabilities** | | **6,693** | 7,275 |
| **Total liabilities** | | **38,343** | 37,525 |
| **Net assets** | | **20,640** | 19,215 |
| **Equity** | | | |
| Contributed equity | 21 | **3,030** | 3,335 |
| Reserves | 22(a) | **950** | 877 |
| Retained profits | 22(b) | **16,660** | 15,003 |
| **Total equity** | 23 | **20,640** | 19,215 |

(a) The majority of these balances represent amounts which are receivable from and payable to controlled entities within the Group. The Company has control of payment of these amounts and will manage them to ensure that at all times it has sufficient funds available to meet its commitments.

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**BHP Billiton Limited (single parent entity)**
**Statement of cash flows**
For the year ended 30 June 2005

| | Notes | **2005** $M | 2004 $M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **186** | 135 |
| Payments in the course of operations | | **(272)** | (183) |
| | | **(86)** | (48) |
| Dividends received | | **4,244** | 8,469 |
| Interest received | | **1,502** | 1,328 |
| Borrowing costs | | **(673)** | (807) |
| Income taxes paid | | **(578)** | (103) |
| **Net cash inflow from operating activities** | 35 | **4,409** | 8,839 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **-** | 3 |
| Investments in controlled entities | | **-** | (18) |
| **Net cash inflow from investing activities** | | **-** | (15) |
| **Cash flows from financing activities** | | | |
| Proceeds from ordinary share issues | | **88** | 102 |
| Payment for shares bought back | | **(2,279)** | - |
| Share purchase scheme | | **(59)** | (41) |
| Dividends paid | | **(1,113)** | (1,296) |
| Loans to Group companies | | **(2,602)** | (8,252) |
| Repayments of loans from Group companies | | **1,556** | 662 |
| **Net cash outflow from financing activities** | | **(4,409)** | (8,825) |
| **Net (decrease) increase in cash held** | | **-** | (1) |
| Cash at the beginning of the financial year | | **(1)** | - |
| **Cash at the end of the financial year** | 5 | **(1)** | (1) |

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## Note 1. Summary of significant accounting policies

The general purpose financial report has been prepared in accordance with Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

Pursuant to Section 340 of the Corporations Act 2001, the Australian Securities and Investments Commission issued an order dated 2 September 2002 that granted relief from the requirement under the Act to distribute single entity financial statements to members. The Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited are distributed to members and include, in a note to the financial statements, the Statement of Financial Performance, the Statement of Financial Position and the Statement of Cash Flows of BHP Billiton Limited (single parent entity). The relief order requires the single parent entity financial statements to be available on the Company's website and to be available to members by request free of charge.

The relief order grants relief in the single parent entity financial statements from the following requirements of subsection 296(1) of the Corporations Act 2001:

(i) consolidated financial statements and notes thereto;

(ii) any segment information;

(iii) any earnings per share information;

(iv) the identity and country of incorporation of controlled entities;

(v) any financial instruments information;

(vi) any note disclosures required by accounting standards in relation to those single entity financial statements that are included in a full financial report containing Combined Financial Statements.

The accounting policies set out in this note have been adopted by the Company in the single parent entity financial statements and the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

### (a) Basis of accounting

The financial report is prepared in accordance with the historical cost convention.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparatibility.

## Note 1. Summary of significant accounting policies (continued)

### (b) Employee share awards

The estimated cost of share awards made by the BHP Billiton Group is charged to the Statement of Financial Performance over the period from grant date to the date of expected vesting (where there are no performance hurdles) or the performance period, as appropriate. The accrued employee entitlement is recorded as an equal credit to the Employee Share Awards reserve. The estimated cost of awards is based on the market value of shares at the grant date (in the case of Long Term Incentive Plan Performance Shares, Group Incentive Scheme Performance Shares, Performance Rights, the Bonus Equity Plan, the Restricted Share Scheme and Co-Investment Plan) or the intrinsic value of options awarded (being the difference between the exercise price and the market price at the date of granting the award), adjusted to reflect the impact of performance conditions, where applicable.

Where awards are satisfied by on-market purchases, the cost of acquiring the shares is carried in the Employee Share Awards reserve, and any difference between the cost of awards and the consideration paid to purchase shares on-market is transferred to retained earnings when the shares vest to the employees unconditionally. In addition, the assets and liabilities of Employee Share Ownership Plan (ESOP) trusts utilised by the BHP Billiton Group to hold shares for employee remuneration schemes are consolidated in the Combined Financial Statements of BHP Billiton Limited.

## Note 1. Summary of significant accounting policies (continued)

### (c) Currency of presentation

All amounts are expressed in Australian dollars unless otherwise stated.

### (d) Rounding of amounts

Amounts in the financial report have been rounded off to the nearest million dollars, or in certain cases, to the nearest dollar.

### (e) Taxation

Tax-effect accounting is applied in respect of income tax and resource rent tax. Deferred tax liabilities, the provision for resource rent tax (non-current liabilities) and deferred tax assets (non-current assets) represent the tax effect of timing differences which arise from the recognition in the financial statements of items of revenue and expense in periods different to those in which they are assessable or allowable for income tax or resource rent tax purposes.

Income taxes have not been provided on undistributed overseas earnings of controlled entities to the extent the earnings are intended to remain indefinitely invested in these entities.

Deferred tax is not recognised on the difference between carrying amount and fair values of non-monetary assets arising on acquisitions or purchased fixed assets which have subsequently been revalued unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised.

Future income tax and capital gains tax benefits in respect of losses incurred by BHP Billiton Group companies together with carried forward resource rent tax benefits are included in the Statement of Financial Performance where realisation of the benefits is considered to be virtually certain. In so doing it is recognised that the realisation of the benefits will depend upon:

(a) an expectation that legislation will not change in a manner which would adversely affect the ability of the companies concerned to realise the benefits;

(b) the ability of the companies concerned to comply with the conditions for deductibility imposed by law; and

(c) the ability of the companies concerned to derive future assessable income of a nature and of sufficient amount to enable the benefits to be realised, or to transfer tax losses to related companies.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the timing differences are expected to reverse.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

## Note 1. Summary of significant accounting policies (continued)

### (f) Tax Consolidation Regime

During the year ended 30 June 2004, BHP Billiton Limited elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government.

As a consequence, and in accordance with Urgent Issues Group Abstract 52, BHP Billiton Limited recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising from its own transactions, events and balances. Entities within the tax-consolidated group enter into a tax sharing and contribution agreement with BHP Billiton Limited as the head entity of the tax consolidated group. Amounts receivable or payable under a tax sharing and contribution agreement with the tax-consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under a tax sharing and contribution agreement are recognised as a component of income tax expense (revenue).

Upon initial implementation, the deferred tax balances in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts. BHP Billiton Limited has compensated its wholly-owned subsidiaries for the carrying amount of their deferred tax balances at the time of forming the tax-consolidated group. The assets and liabilities arising under the tax contribution agreement are recognised as intercompany assets and/or liabilities.

### (g) Foreign currency translation

Transactions denominated in foreign currencies are recorded using the exchange rate ruling at the date of the transaction or, if hedged forward, 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 Statement of Financial Position date and the gains or losses on retranslation are included in the Statement of Financial Performance, with the exception of foreign exchange gains or losses on foreign currency provisions for site restoration and rehabilitation which are capitalised in property, plant and equipment, and foreign exchange gains and losses on foreign exchange currency borrowings designated as a hedge of foreign currency net assets of self-sustaining operations.

### (h) Revenue recognition

*Sales revenue*

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, of an arrangement exists indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by BHP Billiton Limited, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectibility is reasonably assured. This is generally when title passes.

In the majority of sales for most commodities, sales agreements specify that title passes on the bill of lading date, which is the date the commodity is delivered to the shipping agent. Revenue is recognised on the bill of lading date. For certain sales (principally coal sales to adjoining power stations and diamond sales), title passes and revenue is recognised when the goods have been delivered.

In cases where the terms of the executed sales agreement allows for an adjustment to the sales price based on a survey of the goods by the customer (for instance an assay for mineral content), recognition of a portion of the sales price as revenue is deferred at the time of shipment until a final adjustment is determined. Historically these adjustments have been insignificant.

Revenue is not reduced for royalties and other taxes payable from production.

## Note 1. Summary of significant accounting policies (continued)

*Dividend Revenue*

Revenue from distributions from controlled entities is recognised when they are declared by the controlled entities.

*Interest revenue*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

*Management fee revenue*

Management fee revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement.

### (i) Borrowing costs

Borrowing costs are generally expensed as incurred except where they relate to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Borrowing costs are capitalised up to the date when the asset is ready for its intended use.

The amount of borrowing costs capitalised (gross of tax) for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

### (j) Cash

For purposes of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

### (k) Inventories

Inventories, including work in progress, are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of average costs. In some cases, the first-in-first-out method or actual cost is used. For processed inventories, cost is derived on an absorption costing basis. Cost comprises cost of purchasing raw materials and cost of production, including attributable mining and manufacturing overheads.

### (l) Property, plant and equipment

*Valuation in financial statements*

Property, plant and equipment has been recorded at cost.

*Current values of land and buildings*

The current value of land is determined mainly by reference to rating authority valuations, or cost for recent acquisitions, except where land is an integral part of a producing asset with no significant value beyond such use, in which case book value is used.

The current value of buildings is based primarily on depreciated replacement value. Buildings which are integral parts of producing plant are classified as plant and equipment and accordingly excluded from this valuation.

The current values of land and buildings are disclosed in note 10.

## Note 1. Summary of significant accounting policies (continued)

*Disposals*

Disposals are taken to account in profit/(loss) from ordinary activities. Where they represent the sale or abandonment of a significant business or all of the assets associated with such a business they are treated as significant items.

### (m) Depreciation of property, plant and equipment

The carrying amounts of property, plant and equipment (including the original capital expenditure and any subsequent capital expenditure) is depreciated to its residual value over the useful economic lives of the specific assets concerned or the life of the mine or lease, if shorter. The major categories of property, plant and equipment are depreciated on a units of production and/or straight-line basis as follows:

| Category | Useful life | Depreciation basis |
|---|---|---|
| Land | Not depreciated | |
| Buildings | Up to 40 years | Straight-line |
| Plant, machinery and equipment | Up to 30 years | Straight-line |
| Capitalised leased assets | Up to 30 years or life of lease, whichever is shorter | Straight-line |
| Computer systems | Up to 8 years | Straight-line |

### (n) Investments

Investments in controlled entities are recorded at cost.

Other investments are recorded at the lower of cost and net realisable value and dividend income is recognised in the Statement of Financial Performance on a receivable basis.

### (o) Recoverable amount of non-current assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write-down to recoverable amounts. Assets may be reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable.

If the asset is determined to be impaired, an impairment loss will be recorded, and the asset written down, based on the amount by which the asset carrying amount exceeds the higher of net realisable value and estimated recoverable amount. Estimated recoverable amount is determined by discounting expected future cash flows using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset.

Future cash flows are estimated based on production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), recoverable reserves, operating costs, reclamation costs and capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

## Note 1. Summary of significant accounting policies (continued)

### (p) Leased assets

Assets held under leases which result in BHP Billiton Limited receiving substantially all the risks and rewards of ownership of the asset (finance leases) are capitalised as property, plant and equipment at the estimated present value of the minimum lease payments.

The corresponding finance lease obligation is included within interest bearing liabilities. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Operating lease assets are not capitalised and rental payments are generally included in the Statement of Financial Performance on a straight-line basis over the lease term. Provision is made for future operating lease payments in relation to surplus lease space when it is first determined that the space will be of no probable future benefit. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and the liability.

### (q) Employee benefits

Provision is made in the financial statements for all employee benefits, including on-costs. In relation to industry-based long service leave funds, BHP Billiton Limited's share of receivables and payables, including obligations for funding shortfalls, have been recognised.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with annual leave above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to superannuation funds are expensed as incurred. No liability for employee retirement benefits is recognised in the balance sheet of the single entity parent, other than retirement benefits for non-executive directors.

## Note 1. Summary of significant accounting policies (continued)

### (r) Provision for restoration and rehabilitation

BHP Billiton Group companies are generally required to restore mines, oil and gas facilities and processing sites, either during or at the end of their producing lives, to a condition acceptable to the relevant authorities and consistent with the BHP Billiton Group's environmental policies.

The expected cost of any approved decommissioning or restoration programme, discounted to its net present value, is provided when the related environmental disturbance occurs, based on the BHP Billiton Group's interpretation of environmental and regulatory requirements and its own environmental policies where these are more stringent and this has created an obligation on the Group. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur during the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in borrowing costs. Expected decommissioning and restoration costs are based on the estimated current cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and any related asset, and the effect is then recognised in the Statement of Financial Performance on a prospective basis over the remaining life of the operation.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances. Such costs are recognised where environmental contamination as a result of oil and chemical spills, seepage or other unforeseen events gives rise to a loss which is probable and reliably estimable.

The cost of other activities to prevent and control pollution and to rehabilitate the environment is charged to the Statement of Financial Performance as incurred.

### (s) Use of estimates

The preparation of BHP Billiton Limited's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenue and costs during the period. On an ongoing basis, management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and costs. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

## Note 2. Revenue from ordinary activities

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| **Revenue from non-operating activities** | | |
| Management fees received from controlled entities | **168** | 105 |
| Guarantee fees | **18** | 29 |
| Management fees | **-** | 1 |
| Interest from controlled entities | **1,496** | 1,323 |
| Interest | **6** | 5 |
| Dividends from controlled entities | **4,244** | 8,469 |
| Foreign currency translation gains | **-** | 5 |
| Proceeds from the sale of non-current assets - non related parties | **-** | 3 |
| Revenue from ordinary activities | **5,932** | 9,940 |

## Note 3. Profit from ordinary activities

| | 2005 A$M | 2004 A$M |
|---|---|---|
| **Net gains and expenses** | | |
| Profit from ordinary activities before income tax expense includes the following specific net gains and expenses: | | |
| **Net Gains** | | |
| Net gain on disposal | | |
| Property, plant and equipment | **-** | 2 |
| Foreign exchange gains and losses | | |
| Net foreign exchange gains included in revenue (note 2) | **-** | 5 |
| Net foreign exchange gain | **-** | 5 |
| **Expenses** | | |
| Expenses from ordinary activities | | |
| Employee benefits expense | **255** | 216 |
| External services | **109** | 105 |
| Information technology expenses | **26** | 17 |
| Net book value of non-current assets sold | **-** | 1 |
| Diminution in value of non-current assets | **-** | 22 |
| Depreciation expense | **-** | 1 |
| Other expenses from ordinary activities | **49** | 24 |
| Total expenses from ordinary activities excluding borrowing costs | **439** | 386 |
| Depreciation | | |
| Building | **-** | - |
| Plant and equipment | **1** | 1 |
| Total depreciation | **1** | 1 |
| Other charges against assets | | |
| Write down of investments to recoverable amount | **-** | 22 |
| Borrowing costs | | |
| Interest and finance charges paid/payable | **-** | 2 |
| Interest and finance charges paid/payable to related parties | **673** | 805 |
| Total borrowing costs | **673** | 807 |
| Material transfers to/(from) provision for | | |
| Employee entitlements | **53** | 73 |
| Restructuring | **-** | (36) |
| Restoration and rehabilitation | **-** | 38 |
| Other | **6** | (3) |
| Total transfer to/(from) provisions | **59** | 72 |
| Defined benefit superannuation expense (note 30) | **5** | 5 |

## Note 3. Profit from ordinary activities (continued)

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Rental expense relating to operating leases | | |
| Minimum lease payments | **9** | 9 |
| Total rental expense relating to operating leases | **9** | 9 |

**Significant Items**

Details in respect of the Note are set out in Note 2 "Significant items" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 4. Income tax

The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Profit from ordinary activities before income tax expense | **4,820** | 8,747 |
| Prima facie tax calculated at 30 percent | **1,446** | 2,624 |
| Tax effect of permanent differences | | |
| Non-deductible provisions | **-** | (14) |
| Rebate for dividends | **(1,150)** | (2,400) |
| Exempt income | **(153)** | (175) |
| Recognition of prior year capital losses | **(34)** | - |
| Withholding tax | **11** | 11 |
| Investment and asset impairments | **-** | 7 |
| Other | **(11)** | 3 |
| Income tax adjusted for permanent differences | **109** | 56 |
| Income tax expense attributable to controlled entities | **1,108** | 510 |
| Income tax expense recovered from controlled entities (note 1f) | **(1,108)** | (510) |
| Under/(Over) provision in prior year | **16** | (34) |
| **Income tax expense** | **125** | 22 |

## Note 5. Current assets - Cash assets

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Cash at bank and on hand | **-** | - |

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Balances as above | **-** | - |
| Less: Bank overdrafts (note 14) | **1** | 1 |
| Balances as per statement of cash flows | **(1)** | (1) |

## Note 6. Current assets - Receivables

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Other receivables | **17** | 18 |
| Employee share plan loans | **3** | 2 |
| Receivable from controlled entities - income tax | **1,100** | 604 |
| Receivable from controlled entities - other | **30,149** | 27,822 |
| | **31,269** | 28,446 |

## Note 7. Current assets – Other assets

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Prepayments | **4** | 3 |

## Note 8. Non-current assets - Receivables

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Other receivables | **5** | 27 |
| Employee share plan loans | **74** | 88 |
| Receivable from controlled entities - income tax | **906** | 907 |
| Receivable from controlled entities – other | **4,255** | 4,592 |
| | **5,240** | 5,614 |

## Note 9. Non-current assets - Other financial assets

| | 2005 A$M | 2004 A$M |
|---|---|---|
| **Other (non-traded) investments** | | |
| Shares in controlled entities - at cost | **22,305** | 22,305 |

## Note 10. Non-current assets - Property, plant & equipment

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Land & buildings | | |
| At cost | **1** | 1 |
| Less: Accumulated depreciation | **-** | - |
| | **1** | 1 |
| Plant & equipment | | |
| At cost | **1** | 2 |
| Less: Accumulated depreciation | **1** | 1 |
| | **-** | 1 |
| Total property, plant & equipment | **1** | 2 |

**Valuations of land and buildings**
The current value of land is $nil (2004: $nil), and buildings is $nil (2004: $nil).

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

***Property, plant & equipment***

| | Land & buildings A$M | Plant & equipment A$M | Total A$M |
|---|---|---|---|
| Carrying amount at 1 July 2004 | 1 | 1 | 2 |
| Depreciation expense (note 3) | - | (1) | (1) |
| Carrying amount at 30 June 2005 | 1 | - | 1 |

## Note 11. Non-current assets - Deferred tax assets

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Future income tax benefit | **163** | 369 |

## Note 12. Non-current assets – Other assets

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Other deferred costs and charges | **1** | 1 |

## Note 13. Current liabilities - Payables

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Trade creditors | **4** | 11 |
| Other payables | **56** | 30 |
| Payable to controlled entities - income tax | **777** | 635 |
| Payable to controlled entities – other | **30,175** | 29,473 |
| | **31,012** | 30,149 |

## Note 14. Current liabilities - Interest bearing liabilities

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| **Unsecured** | | |
| Bank overdraft (note 5) | **1** | 1 |
| Total unsecured current interest bearing liabilities | **1** | 1 |

## Note 15. Current liabilities - Tax liabilities

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Income tax payable | **493** | 20 |

## Note 16. Current liabilities - Provisions

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Restructuring | **2** | 4 |
| Employee benefits (note 31) | **112** | 57 |
| Restoration and rehabilitation | **14** | 16 |
| Other provisions | **16** | 3 |
| | **144** | 80 |

**Movements in current provisions**

Movements in each class of provision during the financial year are set out below.

| | **Restructuring** A$M | **Employee benefits** A$M | **Restoration and rehabilitation** A$M | **Other** A$M | **Total** A$M |
|---|---|---|---|---|---|
| Carrying amount at 1 July 2004 | 4 | 57 | 16 | 3 | 80 |
| Additional provisions recognised | - | 48 | - | 14 | 62 |
| Payments/other sacrifices of economic benefits | (2) | (35) | (2) | (1) | (40) |
| Transfer to non-current provision | - | 42 | - | - | 42 |
| Carrying amount at 30 June 2005 | 2 | 112 | 14 | 16 | 144 |

## Note 17. Non-current liabilities - Payables

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Payable to controlled entities - income tax | **87** | 325 |

## Note 18. Non-current liabilities - Interest bearing liabilities

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| **Unsecured** | | |
| Loan from controlled entities | **5,696** | 5,971 |
| Total unsecured non-current interest bearing liabilities | **5,696** | 5,971 |

## Note 19. Non-current liabilities - Deferred tax liabilities

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Provision for deferred income tax | **827** | 851 |

## Note 20. Non-current liabilities - Provisions

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Employee benefits (note 31) | **18** | 55 |
| Restoration and rehabilitation | **61** | 61 |
| Other provisions (i) | **4** | 12 |
| | **83** | 128 |

(i) Other provision include Non-executive Directors retirement benefits of $2.3 million (2004: $2.4 million)

**Movements in non-current provisions**
Movements in each class of provision during the financial year are set out below.

| | **Employee benefits** A$M | **Restoration and rehabilitation** A$M | **Other** A$M | **Total** A$M |
|---|---|---|---|---|
| Carrying amount at 1 July 2004 | 55 | 61 | 12 | 128 |
| Additional/(reduced) provisions recognised | 5 | - | (8) | (3) |
| Transfer from current provision | (42) | - | | (42) |
| Carrying amount at 30 June 2005 | 18 | 61 | 4 | 83 |

Further details in respect of this Note are set out in Note 29 "Other provisions and liabilities (non-current)" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 21. Contributed equity

| Share Capital | 2005 Shares | 2004 Shares | 2005 A$M | 2004 A$M |
|---|---|---|---|---|
| Ordinary Shares - Fully Paid | **3,587,977,615** | 3,759,487,555 | **3,030** | 3,335 |
| Ordinary Shares - Partly Paid to A$1.36 (2004: A$1.36) | **195,000** | 405,000 | **-** | - |
| Issued and paid up capital | **1** | 1 | **-** | - |
| | **3,588,172,616** | 3,759,892,556 | **3,030** | 3,335 |

Further details in respect of this Note are set out in Note 30 "Contributed equity and called up share capital" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 22. Reserves and retained profits

| | 2005 A$M | 2004 A$M |
|---|---|---|
| **(a) Reserves** | | |
| General reserve | **665** | 665 |
| Employee share awards reserve | **223** | 150 |
| Asset realisation reserve | **62** | 62 |
| | **950** | 877 |
| **Movements:** | | |
| Employee share awards reserve | | |
| Balance 1 July 2004 | **150** | 84 |
| Accrued employee entitlements for unvested awards | **106** | 99 |
| Vesting of employee share awards | **(33)** | (33) |
| Balance 30 June 2005 | **223** | 150 |

| | 2005 A$M | 2004 A$M |
|---|---|---|
| **(b) Retained profits** | | |
| Retained profits at the beginning of the financial year | **15,003** | 7,140 |
| Net profit attributable to members of BHP Billiton Limited (single parent entity) | **4,695** | 8,725 |
| Share buy-back | **(1,899)** | - |
| Dividends provided for or paid (note 24) | **(1,113)** | (854) |
| Vesting of employee share awards | **(26)** | (8) |
| Retained profits at the end of the financial year | **16,660** | 15,003 |

## Note 23. Equity

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Total equity at the beginning of the financial year | **19,215** | 11,193 |
| Total changes in equity recognised in the Statement of Financial Performance other than transactions with owners | **4,695** | 8,725 |
| Transactions with owners as owners: | | |
| Contributions of equity, net of transaction costs (note 21) | **75** | 93 |
| Dividends provided for or paid (note 24) | **(1,113)** | (854) |
| Accrued employee entitlement to share awards | **106** | 99 |
| Purchase of shares by ESOP trust | **(59)** | (41) |
| Share buy-back | **(2,279)** | - |
| Total equity at the end of the financial year | **20,640** | 19,215 |

Further details in respect of this Note are set out in Note 1 "Statement of accounting policies" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 24. Dividends

| | 2005 A$M | 2004 A$M |
|---|---|---|
| Dividends paid | **1,113** | 854 |
| Total dividends provided for or paid | **1,113** | 854 |

Further details in respect of this Note are set out in Note 11 "Dividends" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 25. Remuneration of directors and executive officers

Details in respect of this Note are set out in Note 42 "Directors and executive disclosures" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 26. Retirement benefits of directors

Details in respect of this Note are set out in Note 42 "Directors and executive disclosures" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 27. Remuneration of auditors

The audit fee payable in respect of the audit of the BHP Billiton Limited (single parent entity) financial statements was a nominal amount. Details of fees for the Group as a whole are set out in Note 8 “Other profit and loss items” of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 28. Contingent liabilities

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from: | | |
| Controlled entities – unsecured | **10,856** | 12,726 |
| Other unrelated parties | **973** | 673 |
| | **11,829** | 13,399 |

Further details in respect of this Note are set out in Note 39 "Contingent liabilities" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 29. Commitments for expenditure

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| **Lease commitments** | | |
| ***Operating leases*** | | |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | **33** | 39 |
| Later than one year but not later than 5 years | **44** | 38 |
| Commitments not recognised in the financial statements | **77** | 77 |

## Note 30. Superannuation commitments

Details in respect of this note are set out in Note 41 "Superannuation, pension and post retirement medical benefits" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 31. Employee benefits

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| **Employee benefit and related on-costs liabilities** | | |
| Provision for employee benefits - current (note 16) | **112** | 57 |
| Provision for employee benefits - non-current (note 20) | **18** | 55 |
| Aggregate employee benefit and related on-costs liabilities | **130** | 112 |

| | **Number** | Number |
|---|---|---|
| **Employee numbers** | | |
| Number of employees at the reporting date | **477** | 371 |

## Note 32. Related parties

*(a) Directors and Director-related entities*

Disclosures related to Directors and Director-related entities are set out in Note 42 "Directors and executive disclosures" of the Combined Financial Statement for the year ended 30 June 2005 of BHP Billiton Limited.

*(b) Controlled entities*

Information relating to controlled entities are contained in the following notes:
Note 2: Revenue from ordinary activities
Note 3: Profit from ordinary activities
Note 6: Current assets - Receivables
Note 8: Non-current assets - Receivables
Note 9: Non-current assets - Other financial assets
Note 13: Current liabilities - Payables
Note 18: Non-current liabilities - Interest bearing liabilities
Note 28: Contingent liabilities

Further disclosures related to controlled entities are set out in Note 45 "Major Controlled Entities" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

*(c) BHP Billiton Plc*

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. For an explanation of the DLC arrangements, refer to "Dual Listed Companies Structure and Basis of Preparation of Financial Statements" in the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 33. Employee ownership plans

Details in respect of this Note are set out in Note 31 "Employee share ownership plans" of the Combined Financial Statements for the year ended 30 June 2005 of BHP Billiton Limited.

## Note 34. Events occurring after reporting date

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company.

## Note 35. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

| | **2005** **A$M** | 2004 A$M |
|---|---|---|
| Profit from ordinary activities after income tax | **4,695** | 8,725 |
| Depreciation and amortisation | **1** | 1 |
| Net unrealised foreign exchange gains | **-** | (6) |
| Net (gain)/loss on sale of property, plant and equipment | **-** | (2) |
| Diminution of investments | **-** | 22 |
| Employee share awards | **106** | 99 |
| Change in operating assets and liabilities | | |
| Decrease in sundry and other receivables | **23** | 17 |
| (Increase)/decrease in prepayments and deferred charges | **(1)** | (1) |
| Increase/(decrease) in trade creditors | **(7)** | 6 |
| Increase/(decrease) in sundry and other payables | **26** | (7) |
| Increase/(decrease) in provision for income taxes payable | **(872)** | 44 |
| Increase/(decrease) in provision for deferred income tax | **419** | (48) |
| Increase/(decrease) in other provisions and liabilities | **19** | (11) |
| Net cash inflow from operating activities | **4,409** | 8,839 |

## Note 36. Non-cash financing and investing activities

| | **2005** **A$M** | 2004 A$M |
|---|---|---|
| Employee Share Plan loan instalments | **3** | 3 |

The Employee Share Plan loan instalments represent the repayment of loans outstanding with the BHP Billiton Limited Group, by the application of dividends.

## Note 37. Financing facilities

| | **2005** **A$M** | 2004 A$M |
|---|---|---|
| Unsecured bank overdraft facility, reviewed annually and payable at call: | | |
| Amount used | **-** | - |
| Amount unused | **10** | 10 |
| Total facility available | **10** | 10 |

## Note 38. Impact of adopting International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the BHP Billiton Group must comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The BHP Billiton Group's DLC structure results in two parent entities with their own statutory reporting obligations, BHP Billiton Limited in Australia and BHP Billiton Plc in the UK. While Australia and the UK are transitioning to IFRS-based financial reporting regimes in the same timeframe, the DLC structure creates unique IFRS implementation issues, including:

(i) the Australian Accounting Standards Board has approved IFRS-based standards some of which mandate particular policies that are optional (and not applied uniformly by other entities) in the UK;
(ii) continued development and interpretation of IFRS prior to 30 June 2006 that could affect the ultimate difference between current reporting frameworks and IFRS applicable in each jurisdiction.

Accordingly, significant uncertainty remains as to the ultimate impact of IFRS on the BHP Billiton Group and BHP Billiton Limited's financial statements.

***Management of IFRS implementation***

The Group has established a formal project, monitored by a steering committee, to manage the transition to IFRS reporting. Regular updates are also provided to the Board Risk and Audit Committee. The implementation and review phases of the project are in progress and include substantial training programmes across the Group's finance staff, execution of changes to information systems and business processes and completing formal authorisation processes to approve recommended accounting policy changes. The project will culminate in the collection of financial information necessary to prepare IFRS-compliant financial statements, embedding of IFRS principles in business processes, elimination of any unnecessary data collection processes and Board approval of the transitional IFRS financial impact. Implementation also involves delivery of further training to staff as revised systems begin to take effect.

***Development and interpretation of IFRS***

The regulatory bodies that promulgate IFRS and its country-specific implementations have significant ongoing projects that could affect the ultimate differences between Australian GAAP and IFRS and their impact on the BHP Billiton Group's financial statements. Significant judgement and interpretation has been required in estimating the IFRS impacts presented below. Two particular matters that may ultimately affect the BHP Billiton Group's IFRS impacts relate to income tax accounting:

- The scope of application of income tax accounting required by AASB 112 'Income Taxes' remains unclear. The BHP Billiton Group is subject to a wide variety of Government imposed production taxes, royalties and other imposts, in addition to regular income tax on profits. Under Australian GAAP, income tax expense and the corresponding income tax assets and liabilities relate only to regular income taxes on profits. All other forms of taxation, such as petroleum resource taxes, production royalties and other secondary taxes are accounted for as operating costs or reductions in revenue as appropriate. The amounts of such taxes are determined using accounting policies appropriate to the nature of each arrangement. The BHP Billiton Group has sought guidance from the International Financial Reporting Interpretations Committee (IFRIC) on this matter, in light of a variety of diverse interpretations applied by other entities. No guidance has been forthcoming at this time. The IFRS impacts presented below do not take account of any changes in the measurement or presentation of such taxes, royalties and similar arrangements that might ultimately be required.

## Note 38. Impact of adopting International Financial Reporting Standards (continued)

- AASB 112 requires deferred tax liabilities to be measured based on the difference between the carrying amount of assets and liabilities in the financial statements (their 'book base') and their equivalent carrying amounts viewed from a taxation perspective (their 'tax base'). Different interpretations have been made as to those items eligible for inclusion in the tax base. In particular, there are divergent views as to whether the tax-deductible amount of an asset available only for capital gains tax purposes is relevant in measuring the tax base of an asset that is not expected to generate capital gains income. BHP Billiton has excluded such amounts in the calculation of tax base and has consequently recognised deferred tax liabilities for assets that are not depreciable for tax purposes and not expected to generate revenue on their ultimate disposal. This area is one of many under consideration by the International Accounting Standards Board but its resolution remains unclear.

***Elections made on implementing IFRS***

The rules for first time adoption of IFRS are set out in IFRS 1 'First Time Adoption of International Financial Reporting Standards'. That standard in general requires accounting policies to be applied retrospectively in order to determine an opening balance sheet as at the BHP Billiton Group and BHP Billiton Limited's IFRS transition date of 1 July 2004, and allows certain exemptions on the transition to IFRS which the BHP Billiton Group has elected to apply. Those elections considered significant to BHP Billiton Limited include decisions to:

- measure property, plant and equipment at deemed cost, being the value of property, plant and equipment immediately prior to the date of transition, with no adjustment made to fair value;
- not apply the requirements of IFRS 2 'Share-based payment' to equity instruments granted before 7 November 2002;
- recognise the cumulative effect of actuarial gains and losses on employee benefits to retained earnings as at the transition date; and

In addition, BHP Billiton Limited has applied the exemption available under IFRS 1 whereby AASB 132 'Financial Instruments: Disclosure and Presentation' and IAS39 'Financial Instruments: Recognition and Measurement' shall apply from 1 July 2005 and not for the year ended 30 June 2005. Accordingly, transitional adjustments in respect of AASB 132 and AASB 139 will be recorded against retained profits and reserves, as applicable, at 1 July 2005. The IFRS impacts presented in this note do not include any amounts attributable to AASB 132 and AASB 139.

AASB 32 is not expected to change the classification of financial instruments issued by BHP Billiton Limited. AASB 139 will result in certain financial assets being measured at fair value. Changes in fair value will be recognised through profit and loss or directly in equity depending on their classification. Investments in non-traded securities will be classified as available for sale and changes in fair value recognised directly in equity until the underlying asset is derecognised. Investments in traded securities will be classified as held for trading and changes in fair value recognised in the income statement. Loans, receivables and financial liability measurement and classification will remain substantially unchanged.

The impact of AASB 132 and AASB 139 on the financial performance and financial position of BHP Billiton Limited in 2006 and subsequent financial years cannot be estimated as it depends on the quantity and type of financial instruments held and future movements in market prices.

***Key differences in accounting policies***

These financial statements have been prepared in accordance with Australian Accounting Standards and other Australian financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the BHP Billiton Limited's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

This note only provides a summary of key implications of the conversion to IFRS as currently issued, as well as their estimated impact on net equity, profit before tax and income tax expense. The estimated overall effect of IFRS is also presented by way of a statement of financial performance and statement of financial position. Further disclosures and explanations will be included in BHP Billiton Group's IFRS financial reports for the half-year ending 31 December 2005 and the year ending 30 June 2006.

## Note 38. Impact of adopting International Financial Reporting Standards (continued)

*Functional currency impact (AASB 121 'The effects of changes in Foreign Exchange Rates')*
The $A financial information presented in the financial statements under Australian GAAP is determined directly from the $A denominated financial records of the Company. In contrast, the $A IFRS information is derived by a current rate translation of the $US denominated financial information of the Company, which reflects the $US functional currency of the Company. The impact on net equity represents the cumulative impact of movements in the $A relative to the $US from the date on which the Company adopted the $US as its functional currency, 29 June 2001, to the current translation date of 30 June 2005. The impact on revenue and expenses, including income tax expense, represents differences between the exchange rate used for the translation of the underlying transactions into $US and the retranslation back into $A for presentation purposes.

*Deferred tax (AASB 112 'Income taxes')*
On transition to IFRS the balance sheet liability method of tax-effect accounting is adopted, rather than the income statement liability method applied under Australian GAAP. This balance sheet method recognises deferred tax assets and liabilities on temporary differences between the accounting and tax values of balance sheet items, rather than accounting and tax values of items recognised in the profit and loss account. This approach gives rise to a wider range of deferred tax assets and liabilities and an increase in the volatility of deferred tax balances brought about by foreign exchange rate movements. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity. The following temporary differences will not give rise to deferred tax balance differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability using tax rates enacted or substantively enacted at reporting date. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

*Equity based compensation (AASB 2 IFRS2 'Share-based payment')*
The cost of employee compensation provided in the form of equity-based compensation (including shares and options) is measured based on the fair value of those instruments rather than their intrinsic value as recognised under current BHP Billiton Group policy, and accrued over the period of employee service. Under IFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options. The fair value of options granted will be measured, taking into account the terms and conditions attached to the options. The amount recognised as an expense in the income statement will be adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions. This changes the total amount of compensation cost and the pattern of cost recognition.

*Post-retirement benefits (AASB 119 'Employee benefits')*
Under IFRS, defined benefit pension plan arrangements result in the recognition of net assets or liabilities directly based on the underlying obligations and assets of those plans. The recognised net asset or liability is subject to changes in value that can be volatile. The net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits employees have earned in return for their past service. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted in deriving the net asset or liability. When the employee entitlements are improved, the proportion of the increased benefit relating to past service is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement. Actuarial gains and losses that arise subsequent to transition date are recognised directly in retained earnings. Under AASB 119 the principles under which regular charges are recognised in the income statement for post-retirement benefits are substantially different to those of the existing BHP Billiton Limited accounting policy.

## Note 38. Impact of adopting International Financial Reporting Standards (continued)

The following table presents a summary of the financial impact of IFRS as noted above on net equity as at 30 June 2005 and 30 June 2004.

**Reconciliation of net equity**

| | **2005 A$M** | 2004 A$M |
|---|---|---|
| Net equity as previously reported under Australian GAAP | **20,640** | 19,215 |
| AASB 119 Post-retirement pension obligations – pre tax | **(22)** | (27) |
| AASB 119 Post-retirement pension obligations – deferred tax effect | **6** | 8 |
| AASB 2 Equity based compensation payments – tax effect | **21** | 2 |
| AASB 121 Functional currency impact | **(6,614)** | (4,939) |
| **Net equity in accordance with IFRS** | **14,031** | 14,259 |
| **Overall net increase/( decrease) in equity under IFRS** | **(6,609)** | (4,956) |

The following tables present a summary of the estimated impact of IFRS on profit before tax and income tax expense for the year ended 30 June 2005.

**Reconciliation of profit before tax**

| | **2005 A$M** |
|---|---|
| Net profit before tax as previously reported under Australian GAAP | **4,820** |
| AASB 119 Post-retirement pension obligations | **(16)** |
| AASB 2 Equity based compensation payments to employees | **(52)** |
| AASB 121 Functional currency impact | **(73)** |
| **Net profit before tax in accordance with IFRS** | **4,679** |
| **Overall net decrease in profit before tax under IFRS** | **141** |

**Reconciliation of income tax expense**

| | **2005 A$M** |
|---|---|
| Income tax expense previously reported under Australian GAAP | **125** |
| AASB 2 Equity based compensation payments to employees | **16** |
| AASB 119 Post-retirement pension benefits - tax impact | **2** |
| AASB 121 Functional currency impact | **(1)** |
| **Income tax expense in accordance with IFRS** | **142** |
| **Overall net increase in income tax expense under IFRS** | **17** |

The tables on the following pages present the income statement and balance sheet of BHP Billiton Limited for the year ended 30 June 2005, prepared in accordance with IFRS and applying the estimated Australian GAAP to IFRS adjustments. The cash flow statement prepared in accordance with IFRS will be unchanged from the current Australian GAAP presentation.

## Note 38. Impact of adopting International Financial Reporting Standards (continued)

### Income Statement

| | 2005 A$M |
|---|---|
| Group Revenue | - |
| Other Income | 6,022 |
| Expenses excluding finance costs | 420 |
| Income from jointly controlled entities | - |
| **Profit from operations** | **5,602** |
| Net finance costs | 923 |
| **Profit before taxation** | **4,679** |
| Taxation | 142 |
| **Profit after taxation** | **4,537** |

### Balance Sheet

| | 2005 A$M | 2004 A$M |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Trade and other receivables | 31,269 | 28,446 |
| Other | 4 | 3 |
| **Total current assets** | **31,273** | **28,449** |
| **Non-current assets** | | |
| Trade and other receivables | 5,240 | 5,614 |
| Other assets | 1 | 1 |
| Other investments | 15,692 | 17,367 |
| Property, plant and equipment | 1 | 2 |
| Deferred tax assets | 190 | 377 |
| **Total non-current assets** | **21,124** | **23,361** |
| **Total assets** | **52,397** | **51,810** |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables | 31,012 | 30,149 |
| Interest bearing liabilities | 1 | 1 |
| Current tax payable | 493 | 20 |
| Provisions | 144 | 80 |
| **Total current liabilities** | **31,650** | **30,250** |
| **Non-current liabilities** | | |
| Trade and other payables | 87 | 325 |
| Interest bearing liabilities | 5,696 | 5,971 |
| Deferred tax liabilities | 827 | 851 |
| Provisions | 106 | 154 |
| **Total non-current liabilities** | **6,716** | **7,301** |
| **Total liabilities** | **38,366** | **37,551** |
| **NET ASSETS** | **14,031** | **14,259** |
| **EQUITY** | | |
| Share capital | 1,810 | 2,016 |
| Reserves | 636 | 768 |
| Retained earnings | 11,585 | 11,475 |
| **TOTAL EQUITY** | **14,031** | **14,259** |

**BHP Billiton Limited (single parent entity)**
**Directors' declaration**
30 June 2005

As disclosed in Note 1 'Basis of accounting', the Directors have prepared this financial report in accordance with the Australian Securities and Investment Commission order dated 2 September 2002, which granted relief from specific requirements of subsection 296(1) of the Corporations Act 2001.

In the opinion of the Directors of BHP Billiton Limited:

(a) The financial statements and notes set out on pages 2 to 31 are in accordance with the Corporations Act 2001, including:

  (i) Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

  (ii) Giving a true and fair view of the financial position of BHP Billiton Limited as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(b) 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.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the Board of Directors.

D R Argus
Director

C W Goodyear
Director

Melbourne

8th September 2005

KPMG

## Independent audit report to the members of BHP Billiton Limited

### *Scope*

*The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes 1 to 38 to the financial statements, and the directors' declaration for BHP Billiton Limited (the "Company"), for the year ended 30 June 2005.

As disclosed in Note 1 'Summary of significant accounting policies', the directors have prepared this financial report in accordance with the Australian Securities and Investment Commission order dated 2 September 2002, which granted relief from specific requirements of subsection 296(1) of the Corporation Act 2001.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit approach*

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 that we have formed.

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### *Independence*

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

### *Audit opinion*

In our opinion, the financial report of BHP Billiton Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's financial position as at 30 June 2005 and of its performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

Peter Nash
*Partner*

Melbourne
8 September 2005