

Balance Sheets

at 31 December, 1986
Bougainville Copper Limited

at 31 December, 1986		Consolidated		Bougainville	
Bougainville Copper Limited		1986	1985	Copper Limited	
	Notes	K'000	K'000	1986	1985
		K'000	K'000	K'000	K'000
Funds employed by the group:					
Shareholders' funds					
Paid up capital	4	401 063	401 063	401 063	401 063
Asset revaluation reserve		31 276	31 276	31 276	31 276
Retained earnings		155 401	154 204	155 387	154 211
		<u>587 740</u>	<u>586 543</u>	<u>587 726</u>	<u>586 550</u>
Exchange fluctuation	5	<u>(3 170)</u>	<u>(5 890)</u>	<u>(3 170)</u>	<u>(5 890)</u>
Non-current liabilities					
Deferred income tax liability	3	22 021	24 452	22 021	24 452
Loans	6	27 268	30 387	27 268	30 387
Provision for long service leave		7 045	6 502	7 045	6 502
		<u>56 334</u>	<u>61 341</u>	<u>56 334</u>	<u>61 341</u>
Current liabilities					
Loans	6	1 573	6 152	1 573	6 152
Creditors	7	47 784	40 605	47 775	40 349
Income tax		30 878	19 267	30 878	19 267
Dividends payable		28 074	20 053	28 074	20 053
		<u>108 309</u>	<u>86 077</u>	<u>108 300</u>	<u>85 821</u>
Total funds		<u>749 213</u>	<u>728 071</u>	<u>749 190</u>	<u>727 822</u>
These funds are represented by:					
Non-current assets					
Future income tax benefit	3	8 299	8 965	8 299	8 965
Investments	8	756	156	765	165
Property, plant and equipment	9	550 081	558 520	550 081	558 520
		<u>559 136</u>	<u>567 641</u>	<u>559 145</u>	<u>567 650</u>
Current assets					
Bank balances and short term deposits		50 915	21 106	50 899	20 859
Debtors for sale of concentrate		84 980	79 706	84 980	79 706
Other debtors	10	7 330	5 437	7 314	5 426
Stocks and stores	11	46 852	54 181	46 852	54 181
		<u>190 077</u>	<u>160 430</u>	<u>190 045</u>	<u>160 172</u>
Total assets		<u>749 213</u>	<u>728 071</u>	<u>749 190</u>	<u>727 822</u>

Details of commitments and contingent liabilities are shown in notes 13 and 14.

All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted.

The notes commencing on page 20 form part of these accounts and are to be read in conjunction with them.

Simplified Balance Sheet

Total funds: K749.2m.		Property, plant & equipment K550.8m.
		Stocks & stores K46.9m.
		Amount owed by debtors K92.3m.
		Cash at bank K50.9m.
		Income tax benefits not yet realised K8.3m.
Shareholders' funds K587.7m.		
Borrowings & exchange fluctuation K25.7m.		
Creditors & current income tax K85.7m.		
Dividends payable K28.1m.		
Income tax deferred K22.0m.		
		Assets: K749.2m.

Notes to the Accounts

These notes form part of the 1986 accounts and consolidated accounts of Bougainville Copper Limited and should be read in conjunction with them.

1. Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the Group accounts are stated to assist in a general understanding of the financial statements.

The policies generally comply with Australian Accounting Standards and conform in all material respects with International Accounting Standards which have been adopted in Papua New Guinea. They are consistent with those adopted in the previous year unless otherwise stated.

Cost Convention:

The results of operations and financial position of the Company are accounted for under the historical cost convention, except that they reflect the revaluation in 1980 of certain major items of property, plant and equipment.

Depreciation and Amortisation:

Depreciation and amortisation are determined by dividing the written down value of assets by their remaining useful life or the remaining life of the mine whichever is the lesser. Depreciation commences in the month following commissioning ready for use.

Exploration, Research and Development Expenditure:

Expenditure on exploration within the mining lease and on research and development is normally written off or provided for as incurred. Exploration has not been undertaken outside the mining lease.

Repairs and Maintenance:

Expenditure on repairs and maintenance is charged against income as incurred.

Valuation of Stocks and Stores:

Concentrate stocks are valued at the lower of direct production cost or net realisable value. Cost includes direct materials, services and overheads, but excludes depreciation and indirect overheads. Stores are valued at weighted average cost, excluding transportation costs, less an allowance for inventory writedown.

Net Sales Revenue:

Sales are recognised when the risk passes from the seller which is at the time when the concentrate enters the ship's hold. The final sales value can only be determined from weights, assays, prices, exchange rates and treatment charges applying after a shipment has arrived at its destination. Estimates based on world metal prices ruling up to year end are used for those shipments not due for final valuation until the following year. In addition, the estimated results of forward contracts existing at year end in relation to concentrates shipped are reflected in sales revenue. Variations in revenue arising from final pricing and outturn adjustments are recognised in the following year. Unrealised gains and losses on forward metal sales, not related to shipments, are included in earnings before tax.

Taxation:

Tax effect accounting procedures are followed. The current liability for income tax is based on estimated taxable income for the year. The components of this taxable income differ from those which make up the earnings before tax for the year and these differences are either permanent differences or timing differences. Permanent differences are disclosed in Note 3. Timing differences arise because some items of revenue and expenditure are recognised for tax purposes during periods which differ from the periods in which they are included in earnings before tax. The tax effect of these timing differences is classified as either deferred income tax liability or future income tax benefit in the balance sheets.

Foreign Currency:

Monetary assets and liabilities in foreign currencies are converted to Papua New Guinea currency at the rates of exchange ruling at balance date. All other overseas transactions are converted at the rates of exchange applying when they occurred. Unrealised exchange gains and losses on overseas borrowings are recorded as deferred income or deferred expense and are amortised over the period of the related borrowings, with the unamortised balance being reflected in the balance sheets under exchange fluctuation. Other monetary gains and losses are recognised as they occur. Exchange differences relating to foreign currency borrowings which are refinanced prior to maturity, from the proceeds of replacement borrowings in the same currency, and from the same lender, continue to be carried forward and amortised over the remaining period of the old borrowing or the new borrowing, whichever is the shorter.

Subsidiaries:

The Company has two wholly owned subsidiaries. Bougainville Copper Finance N.V. is incorporated in the Netherlands Antilles for fund raising purposes. BCL (Hong Kong) Limited, incorporated in Hong Kong, arranges shipping contracts on behalf of the Company. These companies have been consolidated in accordance with conventional consolidation principles.

Declarations

Statement by Directors

In the opinion of the Directors of Bougainville Copper Limited the accompanying statements of earnings and funds statements are drawn up so as to give a true and fair view of the results of the business of the Company and its subsidiaries for the period covered by the statements and the accompanying balance sheets are drawn up so as to exhibit a true and fair view of the state of affairs of the Company and its subsidiaries at the end of that period.

Signed at Port Moresby this 17th day of February, 1987.

On behalf of the Board
D. S. CARRUTHERS
Chairman.
P. W. QUODLING
Managing Director.

Declaration by Secretary

I, Peter Robert Taylor, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that the accompanying balance sheets, statements of earnings and funds statements of the Company and its subsidiaries are, to the best of my knowledge and belief, correct. And I make this solemn declaration by virtue of the Oaths, Affirmations and Statutory Declarations Act (Chapter 317), conscientiously believing the statements contained herein to be true in every particular.

Declared at Panguna this 17th day of February, 1987.

P. R. TAYLOR
Secretary.
Before me:
M. S. LELA
Commissioner for Oaths.

Auditors' Report to the Members

We have audited the balance sheets, statements of earnings and the funds statements (the accounts) set out on pages 17 to 24 in accordance with generally accepted auditing standards.

In our opinion:

(a) the accounts are properly drawn up in accordance with the Companies Act (Chapter 146), and so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 1986, and are in accordance with generally accepted accounting standards;

(b) the accounting and other records, including registers, examined by us have been properly kept in accordance with the Act.
COOPERS & LYBRAND
by B. J. Davies
Registered under the Accountants Registration Act (Chapter 89).
Port Moresby, on 17th day of February, 1987.

Shareholdings

Distribution of shares

As at 17th February, 1987:

The issued shares of the Company were 401 062 500 fully paid one kina shares, each carrying one voting right. The number of shareholders was 24 680.

The distribution of holdings of the issued shares was:

1- 1 000 shares	19 839
1 001- 5 000 shares	4 037
5 001-10 000 shares	475
10 001 shares and over	329
Total shareholders	24 680

90.6% of the total issued shares were held by the 20 largest shareholders. The substantial shareholders were:
CRA Limited and its wholly-owned subsidiary C.R.A. Base Metals Pty. Limited - 214 887 966 shares (53.6%);
The Rio Tinto-Zinc Corporation PLC has an interest in the same shares through its wholly-owned subsidiaries (R.T.Z. Australian Holdings Pty Limited and Tinto Holdings Pty. Limited), interests in CRA Limited and C.R.A. Base Metals Pty. Limited.
The Independent State of Papua New Guinea - 76 430 809 (19.1%).

Ten largest shareholders

The ten largest shareholders at 17th February, 1987 and the number of shares held by each were:

Name & Registered Address	Shares
CRA Limited, Melbourne, Vic.	210 788 514
The Independent State of Papua New Guinea	76 430 809
ANZ Nominees Limited, Melbourne, Vic.	20 322 019
National Nominees Limited, Melbourne, Vic.	9 320 900
Indosuez Nominees Pty. Ltd., Melbourne, Vic.	9 000 357
National Nominees Melbourne, Vic.	4 949 176
Bank of New South Wales Nominees Pty. Ltd., Sydney, N.S.W.	4 124 121
C.R.A. Base Metals Pty. Limited, Melbourne, Vic.	4 099 452
Bougainville Copper Foundation Limited, Panguna, P.N.G.	3 600 000
Isit Nominees, Melbourne, Vic.	2 255 666
	<u>344 891 014</u>

Directors' interests

Directors' interests in the share capital of the Company and its related companies as at 17th February, 1987 were:

D. S. Carruthers	2 250 CRA shares
G. Billard	150 BCL shares
W. J. N. Davis	1 212 BCL shares 1 096 CRA shares
P. G. F. Henderson, A.C.	No interests
P. W. Quodling, O.B.E.	No interests
J. T. Ralph	171 BCL shares 777 CRA shares
W. D. Searson	3 500 BCL shares
D. C. Vernon	No interests

Abbreviations:

BCL - Bougainville Copper Limited
CRA - CRA Limited

Statistical Summary

	1986	1985	1984	1983	1982	1981
Financial						
Earnings (K million)						
Net sales revenue and other income	342.7	317.6	310.9	392.9	283.2	296.4
Operating and other expenses	221.1	221.5	234.8	228.1	207.2	210.8
Depreciation	47.3	47.6	46.5	47.0	44.2	43.3
Earnings before taxation and exchange gains	74.3	48.5	29.6	117.8	31.8	42.3
Exchange gains/(losses)	(0.3)	(1.4)	(2.8)	(16.3)	(3.3)	1.1
Earnings before taxation	74.0	47.1	26.8	101.5	28.5	43.4
Taxation	28.7	19.0	15.2	46.9	17.3	20.6
Net earnings	45.3	28.1	11.6	54.6	11.2	22.8
Dividends	44.1	28.1	16.0	52.1	10.0	20.1
Earnings retained	1.2	—	(4.4)	2.5	1.2	2.7
Balance sheet (K million)						
Property, plant and equipment	550.1	558.5	576.2	594.9	622.8	611.2
Investments	0.7	0.2	0.2	0.3	0.1	0.1
Current assets	190.1	160.4	152.9	185.3	155.9	148.7
Total assets	740.9	719.1	729.3	780.5	778.8	760.0
Shareholders' funds	587.7	586.5	586.5	590.9	588.4	587.2
Exchange fluctuation	(3.2)	(5.9)	(5.3)	(4.7)	(5.4)	1.5
Long term liabilities	48.1	52.4	52.5	51.6	125.6	80.1
Current liabilities	108.3	86.1	95.6	142.7	70.2	91.2
Funds employed	740.9	719.1	729.3	780.5	778.8	760.0
Production/Sales						
Mined						
Ore and waste removed (millions of tonnes)	79.16	73.62	74.74	81.00	76.22	77.56
Ore milled (millions of tonnes)	47.89	50.07	46.52	47.73	41.74	37.53
Ore grade						
Copper (per cent)	0.42	0.42	0.42	0.46	0.47	0.51
Gold (grams/tonne)	0.48	0.42	0.48	0.55	0.60	0.59
Silver (grams/tonne)	1.38	1.21	1.34	1.42	1.48	1.55
Produced						
Concentrate (thousands of dry tonnes)	586.6	581.8	542.3	636.9	598.6	576.4
Contained copper (thousands of dry tonnes)	178.6	175.0	164.4	183.2	170.0	165.4
Concentrate grade						
Copper (per cent)	30.5	30.1	30.3	28.8	28.4	28.7
Gold (grams/tonne)	27.9	24.7	28.9	28.3	29.3	29.2
Silver (grams/tonne)	85.9	79.3	81.9	74.4	72.1	73.5
Shipped						
Total concentrate (thousands of dry tonnes)	589.4	560.0	550.8	636.1	599.6	596.2
Shipped to:						
W. Germany	207.3	163.5	144.4	216.7	217.1	206.0
Japan	244.4	246.9	286.1	298.7	279.7	296.9
Spain	37.0	61.5	52.6	50.5	53.3	64.7
Other	100.7	88.1	67.7	70.2	49.5	28.6
Values						
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	417.9	381.3	373.4	454.6	343.6	355.2
Contribution by:						
Copper (per cent)	54	61	53	52	51	54
Gold (per cent)	44	37	45	46	47	44
Silver (per cent)	2	2	2	2	2	2
Other						
Average metal prices						
L.M.E. copper (US\$/lb)	62.3	64.3	62.4	71.9	67.1	79.0
London gold market (US\$/oz.)	367.9	317.3	360.8	423.5	375.6	459.9
London silver market (US\$/oz.)	5.5	6.1	8.1	11.4	7.9	10.5
Return on shareholders' funds (%)	7.7	4.8	2.0	9.3	1.9	3.9
Earnings per share (toea)***	11.3	7.0	2.9	13.6	2.8	5.7
Dividends in toea per fully paid share*** (par value, one kina) (1986 interim 4t/share)	11.0	7.0	4.0	13.0	2.5	5.0
Bonus dividend in toea per fully paid share***	—	—	—	—	—	—
Number of shares issued at end of year (millions)	401	401	401	401	401	401
Number of shareholders at end of year	22 294	27 117	30 435	32 834	36 486	38 027
Debt/equity ratio	.05/1	0.06/1	0.09/1	0.10/1	0.20/1	0.17/1
Work force at end of year (PN.G.)						
Overseas	706	704	749	751	756	801
National	2 993	2 948	2 987	3 058	3 174	3 377

Notes: * Full year figures; but commercial production commenced 1 April 1972

** 1972 figure is for Bougainville Mining Limited

*** 1972 to 1979 figures are after adjustment for the 1980 capital reconstruction