

## Balance Sheets

13

at 31 December 1989  
Bougainville Copper Limited

	Notes	Consolidated 1989 K'000	1988 K'000	Bougainville Copper Limited 1989 K'000	1988 K'000
<b>Funds employed by the group:</b>					
<b>Shareholders' funds</b>					
Paid up capital	13	401 063	401 063	401 063	401 063
Asset revaluation reserve		31 276	31 276	31 276	31 276
Retained earnings		133 306	153 917	133 295	153 903
		<b>565 645</b>	586 256	<b>565 634</b>	586 242
<b>Exchange fluctuation</b>	5	—	158	—	158
<b>Non-current liabilities</b>					
Income tax	3	7 088	—	7 088	—
Deferred income tax liability	3	42 589	22 590	42 589	22 590
Provision for long service leave		7 265	10 307	7 265	10 307
		<b>56 942</b>	32 897	<b>56 942</b>	32 897
<b>Current liabilities</b>					
Loans	6	—	1 348	—	1 348
Creditors	7	38 426	54 070	38 418	54 067
Income tax		4 376	96 593	4 370	96 593
Dividends payable		—	60 159	—	60 159
		<b>42 802</b>	212 170	<b>42 788</b>	212 167
<b>Total funds</b>		<b>665 389</b>	831 481	<b>665 364</b>	831 464
<b>These funds are represented by:</b>					
<b>Non-current assets</b>					
Future income tax benefit	3	10 102	9 164	10 102	9 164
Investments	8	—	156	963	1 517
Property, plant and equipment	9	595 811	570 039	594 848	568 678
Loan	12	—	2 000	—	2 000
		<b>605 913</b>	581 359	<b>605 913</b>	581 359
<b>Current assets</b>					
Bank balances and short term deposits		11 897	74 122	11 872	74 105
Debtors for sale of concentrate		1 071	107 234	1 071	107 234
Other debtors	10	7 579	13 921	7 579	13 921
Stocks and stores	11	38 929	54 845	38 929	54 845
		<b>59 476</b>	250 122	<b>59 451</b>	250 105
<b>Total assets</b>		<b>665 389</b>	831 481	<b>665 364</b>	831 464

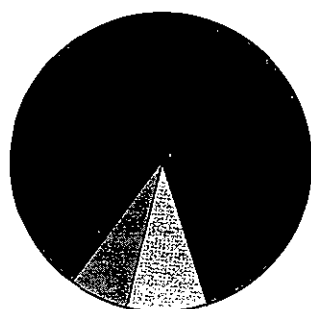
Details of commitments and contingent liabilities and assets are shown in notes 15 and 16.

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

The notes commencing on page 14 form part of these accounts and are to be read in conjunction with them.

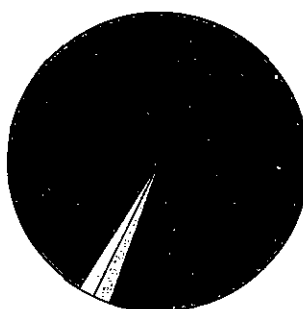
## Simplified Balance Sheet

Total funds K665.4m.



- Shareholders' funds K565.6m.
- ▨ Creditors & current income tax K57.2m.
- Income tax deferred K42.6m.

Total assets K665.4m.



- Property, plant & equipment K595.8m.
- Stocks & stores K38.9m.
- Amount owed by debtors K8.7m.
- ▨ Cash at bank K11.9m.
- ▨ Income tax benefits not yet realised K10.1m.

## 1.(b) Accounting Policies (continued)

### Exploration, Research and Development Expenditure:

Expenditure on exploration within the mining lease and on research and development is 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. Such costs, which were connected with the attacks on company facilities referred to above, have been classified as extraordinary items in 1989.

### 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 a provision for obsolescent stores.

### 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 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 out-turn 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 translated into Papua New Guinea currency at the rates of exchange ruling at balance date. All other overseas transactions are translated at the rates of exchange applying when they occurred. Exchange gains and losses on overseas borrowings are recognised as they occur to reflect the full effect of exchange rate movements. Other monetary gains and losses are also recognised as they occur. Gains and losses on hedges (excluding hedges relating to specific commitments) are included in earnings for the period during which the exchange rate movements occurred.

### Subsidiaries:

The Company has two wholly owned subsidiaries. BCL (Hong Kong) Limited, incorporated in Hong Kong, arranges shipping contracts on behalf of the Company. BCL Services Pty Ltd incorporated in Australia, leases an aircraft to the Company. These companies have been consolidated in accordance with conventional consolidation principles.

	Consolidated		Bougainville Copper Limited	
	1989	1988	1989	1988
	K'000	K'000	K'000	K'000
<b>2. Earnings before taxation</b>				
Earnings before taxation have been determined after allowing for the following income and expense items:				
Income:				
Interest on short term deposits	8 679	10 642	8 679	10 640
Expenses:				
Interest — on long term loans and standby facilities	35	249	35	249
— other	119	11	119	11
Provision for doubtful debts in respect of other debtors	197	—	197	—
Bad debts in respect of other debtors	8	—	8	—
Depreciation — on buildings	18 575	17 537	18 575	17 537
— on plant, machinery and equipment	26 964	24 634	26 626	24 263
Amortisation — of mine property	1 770	1 770	1 770	1 730
Loss/(profit) on disposal and retirement of fixed assets	(51)	1 004	(51)	1 004
Research and development expenditure	416	1 040	416	1 040
Directors' emoluments (Note 14)	24	24	24	24
Auditors' remuneration — auditing the accounts	177	97	175	96
— other services	24	12	24	12
(The auditors have received no other benefits)				

**Statement by Directors**

The Accounts of the Company have been prepared using the going concern basis of valuation for the reasons given in Note 1 to the Accounts. As explained in that Note it is not possible, at present, for the Directors to determine when the Company will resume operations at the Panguna Mine on Bougainville Island. If the mine is reopened by the Company in the near future continued use of the going concern basis of valuation would be appropriate. However if the Company is ultimately unable to recommence operations successfully a major reduction in the value of the Company's assets as disclosed in the Accounts would be necessary. As the Directors are unable to determine whether or not the Panguna Mine will be reopened in the near future they are unable to determine if the carrying value of the assets are or are not included in the Accounts on an appropriate basis of valuation.

Accordingly, the Directors are unable to form an opinion whether or not the accompanying statements of earnings and fund statements 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 or that the accompanying balance sheets 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 Melbourne by the Chairman and at Bougainville by the Managing Director on this 22nd day of February, 1990.

On behalf of the Board

D. S. CARRUTHERS

Chairman.

R. J. CORNELIUS

Managing Director.

**Declaration by Secretary**

I, Moses Samboro Koiri, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that for the reasons stated by the Directors of the Company in Note 1 to the Accounts the accompanying balance sheets, statements of earnings and funds statement of the Company and its subsidiaries have been prepared on a going concern basis and on this basis 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 that the statements contained herein to be true in every particular.

Declared at Bougainville this 22nd day of February, 1990.

M. S. KOIRI

Secretary.

Before me:

A. G. CORREN

Commissioner for Oaths.

**Auditors' Report to the Members of Bougainville Copper Limited**

1. We have audited the balance sheets, statements of earnings and the funds statements (the accounts) set out on pages 11 to 19 in accordance with generally accepted auditing standards.

2. These accounts have been prepared using the going concern basis of valuation for the reasons, with which we concur, given in Note 1(a) to the accounts. As explained in that Note, it is not possible, at present, to determine when the company will resume operations at the Panguna mine on Bougainville Island. If the mine is re-opened by the company in the near future, continued use of the going concern basis of valuation would be appropriate. However, as explained by the directors, if the company is ultimately unable to recommence operations successfully, a major reduction in the value of the company's assets (as disclosed in the accounts) would be necessary.

3. As neither we nor the directors are able to determine whether or not the Panguna mine will be re-opened by the company in the near future, we also are unable to determine if the carrying value of the following assets are, or are not, included in the accounts on an appropriate basis of valuation:

	K'000s
Property, plant and equipment	595,811
Stocks and stores	38,929
Future income tax benefit	10,102
	<hr/> 644,842

4. These assets (which represent 97% of the book value of total assets and exceed the book value of net tangible assets) are of such fundamental importance to the presentation of the accounts, that we are consequently unable to form an opinion as to whether or not the accounts and group accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 1989 and the results for the year ended on that date.

5. In our opinion, the accounting and other records, including registers, examined by us have been properly kept in accordance with the Companies Act (Chapter 146).

COOPERS & LYBRAND

by B. J. Davies

Registered under the Accountants Registration Act (Chapter 89),  
Melbourne, Australia  
on 22nd day of February, 1990.

	1989	1988	1987	1986	1985	1984
<b>Financial</b>						
<b>Earnings (K million)</b>						
Net sales revenue and other income	231.6	493.4	415.4	342.7	317.6	310.9
Operating and other expenses****	181.7	244.8	227.5	223.7	221.5	234.8
Depreciation	47.3	43.9	49.4	47.3	47.6	46.5
Earnings before taxation and exchange gains	2.6	204.7	138.5	71.7	48.5	29.6
Exchange gains/(losses)	2.5	(2.9)	5.7	2.3	(1.4)	(2.8)
Earnings before taxation	5.1	201.8	144.2	74.0	47.1	26.8
Taxation	25.7	93.2	50.6	28.7	19.0	15.2
Net earnings	(20.6)	108.6	93.6	45.3	28.1	11.6
Dividends	—	108.3	92.2	44.1	28.1	16.0
Earnings retained	(20.6)	0.3	(1.8)	1.2	—	(4.4)
<b>Balance sheet (K million)</b>						
Property, plant and equipment	595.8	570.0	527.8	550.1	558.5	576.2
Investments and loans	—	2.2	0.7	0.7	0.2	0.2
Current assets	59.5	250.1	260.3	190.1	160.4	152.9
Total assets	655.3	822.3	788.8	740.9	719.1	729.3
Shareholders' funds	565.6	586.2	586.0	587.7	586.5	586.5
Exchange fluctuation	—	0.2	0.3	(3.2)	(5.9)	(5.3)
Long term liabilities	46.9	23.7	24.8	48.1	52.4	52.5
Current liabilities	42.8	212.2	177.7	108.3	86.1	95.6
Funds employed	655.3	822.3	788.8	740.9	719.1	729.3
<b>Production/Sales</b>						
<b>Mined</b>						
Ore and waste removed (millions of tonnes)	33.27	89.78	83.53	79.16	73.62	74.74
Ore milled (millions of tonnes)	18.52	47.69	48.20	47.89	50.07	46.52
Ore grade						
Copper (per cent)	0.44	0.41	0.41	0.42	0.42	0.42
Gold (grams/tonne)	0.50	0.41	0.43	0.48	0.42	0.48
<b>Produced</b>						
Concentrate (thousands of dry tonnes)	224.6	552.0	585.5	586.6	581.8	542.3
Contained copper (thousands of dry tonnes)	68.7	166.0	178.2	178.6	175.0	164.4
Concentrate grade						
Copper (per cent)	30.1	30.1	30.4	30.5	30.1	30.3
Gold (grams/tonne)	31.0	25.1	25.8	27.9	24.7	28.9
Silver (grams/tonne)	91.2	87.7	86.4	85.9	79.3	81.9
<b>Shipped</b>						
Total concentrate (thousands of dry tonnes)	250.8	570.8	567.6	589.4	560.0	550.8
Destination:						
Japan (per cent)	40.2	45.4	32.6	43.2	44.1	51.9
Other Asian (per cent)	34.3	23.4	33.5	15.4	15.7	12.3
Europe (per cent)	25.5	27.7	33.9	41.4	40.2	35.8
All Other (per cent)	0.0	3.5	0.0	0.0	0.0	0.0
<b>Values</b>						
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	260.0	561.0	489.4	417.9	381.3	373.4
Contribution by:						
Copper (per cent)	68	68	60	54	61	53
Gold (per cent)	31	30	38	44	37	45
<b>Other</b>						
US\$/Kina exchange rate	1.17	1.16	1.10	1.03	1.00	1.11
Average metal prices						
LME copper (US\$/lb)	129.0	117.9	81.0	62.3	64.3	62.4
London gold market (US\$/oz)	381.0	436.8	446.7	367.9	317.3	360.8
Return on shareholders' funds (per cent)	—	18.5	16.0	7.7	4.8	2.0
Earnings per share*** (toea)	—	27.1	23.3	11.3	7.0	2.9
Dividends per fully paid share*** (par value K1.00) (1988 interim 12t/share) (toea)	—	27.0	23.0	11.0	7.0	4.0
Number of shares issued at end of year (millions)	401	401	401	401	401	401
Number of shareholders at end of year	21 287	21 966	22 650	24 680	27 117	30 435
Debt/equity ratio	—	.002/1	.004/1	0.05/1	0.06/1	0.09/1
Work force at end of year (in PNG)						
Overseas	330	610	699	706	704	749
National	1 987	2 950	3 025	2 993	2 948	2 987

**Notes:** Bonus dividends of 4.0 and 6.7 toea per fully paid share were made in 1979 and 1980 respectively and have been included in the dividend figures for those years.

\* 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

\*\*\*\* 1989 includes extraordinary items of K26.1 million.