

Directors' Report

The directors of Bougainville Copper Limited present their report on the audited financial statements of the Company and its subsidiaries for the year ended 31 December, 1982.

Directors:

The directors of Bougainville Copper Limited at the date of this report are:

D. C. Vernon (Chairman)	R. H. Harding
N. R. Agonia	P. W. Quodling
Sir Frank Espie, O.B.E.	J. T. Ralph

Sir Frank Espie, O.B.E., and R. H. Harding retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

Activities:

Bougainville Copper Limited has produced concentrate containing copper, gold and silver from a mine at Panguna, North Solomons Province, since 1972. The Company has two subsidiaries. Bougainville Copper Finance N.V. is incorporated in the Netherlands Antilles for fund raising purposes. During the year BCL (Hong Kong) Limited was incorporated primarily to arrange shipping contracts on behalf of the Company.

Net Earnings:

The net earnings of Bougainville Copper Limited and its subsidiaries for 1982 totalled K11 210 000 after providing K44 211 000 for depreciation and amortisation, K3 522 000 for royalties and K17 261 000 for income tax.

Taxation:

Taxation of K17 261 000 charged to earnings comprises K7 976 000 future tax and K9 285 000 current tax.

Subsidiaries:

During the year BCL (Hong Kong) Limited was formed. No subsidiaries were disposed of during the year. No dividends were paid by Bougainville Copper Finance N.V. or BCL (Hong Kong) Limited.

Share Capital:

There was no change in the Company's capital structure during the year.

Exchange Fluctuations:

Exchange losses of K1 903 000 were realised on the repayment of United States and Australian dollar loans. Unrealised exchange losses on overseas borrowings were K1 975 000. In addition, exchange gains of K579 000 arose on the translation of overseas bank balances. All these gains and losses were included in 1982 earnings.

Long Term Loans:

Drawdowns of K85 800 000 were made during the year against long term loan arrangements. Repayments of K75 900 000 were made against existing loans, leaving a balance outstanding at the end of the year of K121 772 000.

Revolving Credit Facility:

An agreement to extend this facility from US\$125 million to US\$225 million was signed in September 1982. Four new banks joined the syndicated loan which is jointly managed by the Commonwealth Trading Bank of Australia and BA Asia Limited.

Dividends:

A first and final dividend of two and a half toea per share has been declared and is payable on 5th

May 1983. Withholding tax is deducted from dividends where required by the Chief Collector of Taxes.

Auditors:

The retiring Auditors, Coopers & Lybrand, being eligible, offer themselves for re-appointment.

Statutory Information:

In accordance with the provisions of Section 171 of the Companies Act (Chapter 146), the directors state that:

1. In their opinion, the results of the group's operations in the year under review have not been materially affected by items of an abnormal character except as mentioned in this report.
2. In their opinion, the current assets will realise at least the value at which they are shown in the accounts and that the value is an amount that these current assets might reasonably be expected to realise in the ordinary course of business.
3. No circumstances have arisen which render adherence to the method of valuation of assets or liabilities misleading or inappropriate.
4. No contingent liabilities have arisen since the balance date of the group accounts, 31 December, 1982, and the date of this report, 16 February, 1983.
5. No contingent liabilities have become enforceable or are likely to become enforceable within twelve months from the date of this report which will materially affect the group in its ability to meet its obligations as and when they fall due.

Additional Information:

The directors also state that:

1. They took reasonable steps before the statements of earnings and balance sheets were made out to ascertain what action had been taken so far as debts owing to the holding company were concerned, in relation to the writing off of bad debts and the making of provisions for doubtful debts and are satisfied that there were no bad debts and that a provision for doubtful debts of K65 600 was adequate.
2. They are not aware of any circumstances which would render the amounts written off for bad debts or the amounts of the provision for doubtful debts inadequate to any substantial extent.
3. Since the end of the financial year, no charge on the assets of any of the companies in the group has arisen which secures the liability of any other person.
4. They are not aware of any circumstances not otherwise dealt with in this report or group accounts, which would render any amount stated in the group accounts misleading.
5. No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report, which, in the opinion of the directors of Bougainville Copper Limited, is likely to substantially affect the results of the operations of the group in 1983.

Signed this 16th day of February, 1983 in accordance with a resolution of the directors of Bougainville Copper Limited.



D. C. Vernon (Chairman)



P. W. Quodling (Managing Director)

Balance Sheets

at 31 December, 1982

Bougainville Copper Limited

		Consolidated		Bougainville Copper Limited	
	Notes	1982 K'000	1981 K'000	1982 K'000	1981 K'000
Funds employed by the group:					
Shareholders' funds					
Paid up capital	5	401 063	401 063	401 063	401 063
Asset revaluation reserve		31 276	31 276	31 276	31 276
Retained earnings		156 083	154 900	156 088	154 903
		<u>588 422</u>	<u>587 239</u>	<u>588 427</u>	<u>587 242</u>
Exchange fluctuation					
	6	<u>(5 387)</u>	<u>1 478</u>	<u>(5 387)</u>	<u>1 478</u>
Long term liabilities					
Future income tax	4	11 494	3 502	11 494	3 502
Loans	7	109 077	72 525	109 077	72 525
Provision for long service leave		5 019	4 050	5 019	4 050
		<u>125 590</u>	<u>80 077</u>	<u>125 590</u>	<u>80 077</u>
Current liabilities					
Loans	7	12 695	28 591	12 695	28 591
Creditors	8	37 566	30 473	37 559	30 471
Income tax		9 883	20 153	9 883	20 153
Dividends payable		10 027	12 032	10 027	12 032
		<u>70 171</u>	<u>91 249</u>	<u>70 164</u>	<u>91 247</u>
Total funds		<u>778 796</u>	<u>760 043</u>	<u>778 794</u>	<u>760 044</u>
These funds are represented by:					
Fixed assets					
Property, plant and equipment	9	622 819	611 234	622 819	611 234
Investments	10	<u>145</u>	<u>145</u>	<u>154</u>	<u>154</u>
Current assets					
Bank balances and short term deposits		8 320	10 836	8 309	10 828
Debtors for sale of concentrate		90 126	85 968	90 126	85 968
Other debtors	11	4 801	3 242	4 801	3 242
Stocks and stores	12	52 585	48 618	52 585	48 618
		<u>155 832</u>	<u>148 664</u>	<u>155 821</u>	<u>148 656</u>
Total assets		<u>778 796</u>	<u>760 043</u>	<u>778 794</u>	<u>760 044</u>

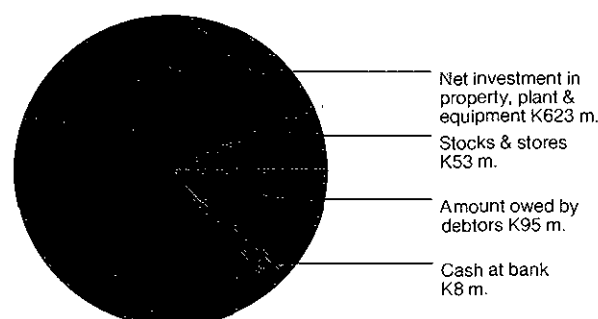
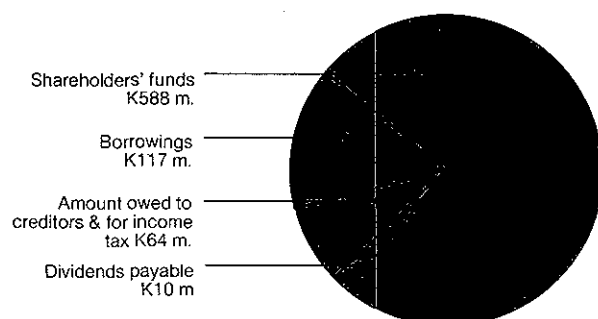
All amounts are expressed in Papua New Guinea kina.
Rounding to the nearest thousand kina has been adopted.

The notes commencing on page 18 form part of these accounts and are to be read in conjunction with them.

Simplified Balance Sheet

Funds employed: K779 m.

Assets: K779 m.



Declarations

Statement by Directors

In the opinion of the Directors of Bougainville Copper Limited the accompanying statements of earnings 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 Panguna this 16th day of February, 1983.

On behalf of the Board

D. C. VERNON, P. W. QUODLING
Directors

Declaration by Secretary

I, James Cuming Sharp, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that the accompanying balance sheets and statements of earnings 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 16th day of February, 1983.

J. C. SHARP

Secretary

Before me:

M. S. LELA

Commissioner for Oaths

Report of the Auditors to the Members

We report on the accompanying balance sheets and statements of earnings of the Company and its subsidiaries set out on pages 16 to 21 which have been prepared under the cost convention described in note 1.

In our opinion these balance sheets and statements of earnings are properly drawn up in accordance with the provisions of the Companies Act (Chapter 146), and so as to give a true and fair view of the state of affairs of the Company and its subsidiaries as at 31st December, 1982, and the results for the year ended on that date.

In our opinion the accounting and other records, including registers, examined by us have been properly kept in accordance with the provisions of the Act.

COOPERS & LYBRAND

by B. J. Davies

Registered under the Accountants
Registration and Practice Act
(Chapter 89).

Arawa, 16th February, 1983

Shareholdings

Distribution of shares

As at 16th February, 1983:

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 36 131;

The distribution of holdings of the issued shares was:

1 - 1 000 shares	27 235
1 001 - 5 000 shares	7 355
5 001 - 10 000 shares	907
10 001 shares and over	634
Total shareholders	36 131

86.09% 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, and The Investment Corporation of Papua New Guinea — 81 159 321 shares (20.2%).

Ten largest shareholders

The ten largest shareholders at 16th February, 1983, 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.	17 626 104
National Nominees Limited, Melbourne. Vic.	11 508 386
The Investment Corporation of Papua New Guinea, Port Moresby, P.N.G.	4 728 512
Bank of New South Wales Nominees Pty. Ltd., Sydney. N.S.W.	4 713 529
C.R.A. Base Metals Pty. Limited, Melbourne. Vic.	4 099 452
Panguna Development Foundation Limited, Panguna, P.N.G.	3 600 000
The National Mutual Life Association of Australasia Limited, Melbourne. Vic.	2 622 919
Public Officers Superannuation Fund, Boroko, P.N.G.	1 700 136
	337 818 361

Directors' interests

Directors' interests in the share capital of the Company and its related companies as at the 21st January, 1983 were:

D. C. Vernon	No interests
N. R. Agonia	No interests
Sir Frank Espie OBE	750 BCL shares 533 CRA shares
R. H. Harding	6 709 CRA shares 504 BCL shares 1 000 MKU shares 862 COM shares
P. W. Quodling	No interests
J. T. Ralph	171 BCL shares 587 CRA shares

Abbreviations:

BCL — Bougainville Copper Limited
CRA — CRA Limited
MKU — Mary Kathleen Uranium Limited
COM — Comalco Limited

Note:

Mr. R. H. Harding also became entitled to 287 Comalco shares under a renounceable rights issue which opened on 21st January, 1983.

Current Cost Accounting

The information presented in Historical Cost Accounts (HCA) can be misleading since full recognition is not given to the impact of price changes on the funds needed to maintain the assets employed by the Company. The need to remedy the defects in the traditional HCA accounts has focused attention on various proposals, one of which, Current Cost Accounting (CCA), is gaining international acceptance. The Company's earnings on an HCA basis are overstated in times of rising prices because of the failure to recognise the increased cost of replacing stocks and other assets required to maintain the business as a going concern. Therefore, under CCA principles, adjustments are made to measure the effect of specific price changes on the cost of services derived by the Company from use of its assets. However, because these assets have been financed partly by borrowing, a gearing adjustment is also necessary to arrive at the earnings, adjusted for specific price changes, which are attributable to shareholders.

CCA is still largely in the experimental phase and further testing is required before a definitive system is established. However, the subjectivity that enters into the preparation of the CCA accounts is compensated for by increased realism and relevance of information presented in these financial statements. Until such time as an Australian standard is issued, the Company will prepare CCA statements in accordance with the Statement of Standard Accounting Practice No. 16, Current Cost Accounting, issued by the Accounting Standards Committee of the United Kingdom in March 1980.

Current Cost Statement of Earnings

Bougainville Copper Limited
and Subsidiary Companies

1982 1981
K'000 K'000

Income	283 176	296 368
Costs and expenses excluding interest	235 265	244 492
Historical cost earnings before interest	47 911	51 876
Less:		
Current cost operating adjustments (refer below)	21 667	17 811
Current cost earnings from operations	26 244	34 065
Interest on net borrowing	16 141	9 597
	10 103	24 468
Net exchange (losses)/gains	(3 299)	1 069
Current cost earnings before taxation	6 804	25 537
Income tax	17 261	20 560
Current cost (losses)/earnings attributable to entity	(10 457)	4 977
Add: Gearing adjustment	6 462	5 476
Current cost earnings attributable to shareholders	(3 995)	10 453
Add:		
Current cost retained earnings brought forward	127 883	137 483
	123 888	147 936
Less:		
Dividends	10 027	20 053
Current cost retained earnings carried forward	113 861	127 883
Current cost operating adjustments:		
Cost of sales	3 986	4 339
Monetary working capital	3 205	4 686
Working capital	7 191	9 025
Depreciation	13 115	8 327
Disposals of property, plant and equipment	1 361	459
Property, plant and equipment	14 476	8 786
	21 667	17 811

Current Cost Balance Sheet

Funds employed by the group:

Shareholders' funds

Paid up capital	401 063	401 063
Current cost reserve	324 211	217 423
Retained earnings	113 861	127 883
	839 135	746 369
Exchange fluctuation	(5 387)	1 478
Long term liabilities	125 590	80 077
Current liabilities	70 171	91 249
Total funds	1 029 509	919 173

These funds are represented by:

Fixed assets	871 540	767 025
Investments	145	145
Stocks and stores	54 577	51 957
Other current assets	103 247	100 046
Total assets	1 029 509	919 173

Statistical Summary

Financial

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Earnings (K million)										
Net sales revenue and other income	283.2	296.4	338.7	343.1	225.1	205.3	208.9	193.1	292.6	252.4
Operating and other expenses	207.2	210.8	174.8	144.1	125.0	126.8	117.5	107.2	92.5	81.8
Depreciation	44.2	43.3	43.8	40.7	40.4	36.2	31.1	29.6	28.5	24.8
Earnings before taxation and exchange gains	31.8	42.3	120.1	158.3	59.7	42.3	60.3	56.3	171.6	145.8
Exchange gains	(3.3)	1.1	2.6	3.5	10.3	(0.1)	1.3	2.3	9.5	12.9
Earnings before taxation	28.5	43.4	122.7	161.8	70.0	42.2	61.6	58.6	181.1	158.7
Taxation	17.3	20.6	51.2	77.9	22.0	13.7	20.3	12.4	66.5	0.3
Net earnings	11.2	22.8	71.5	83.9	48.0	28.5	41.3	46.2	114.6	158.4
Dividends	10.0	20.1	64.2	80.2	40.1	21.4	26.7	26.7	73.5	81.4
Earnings retained	1.2	2.7	7.3	3.7	7.9	7.1	14.6	19.5	41.1	77.0

Balance sheet (K million)

Property, plant and equipment	622.8	611.2	610.8	325.4	340.1	352.2	350.4	346.0	352.2	371.7
Investments	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current assets	155.9	148.7	148.4	201.0	125.8	137.1	136.0	129.5	205.6	130.4
Total assets	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2
Shareholders' funds	588.4	587.2	584.5	294.5	317.5	309.7	302.5	287.9	268.4	227.4
Exchange fluctuation	(5.4)	1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1	39.5
Long term liabilities	125.6	80.1	25.7	36.2	42.1	53.3	101.7	106.8	121.1	127.5
Current liabilities	70.2	91.2	144.0	190.4	97.4	111.8	73.3	69.4	149.3	107.8
Funds employed	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2

Production/Sales

Mined										
Ore and waste removed (millions of tonnes)	76.22	77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00	56.65
Ore milled (millions of tonnes)	41.74	37.53	37.62	36.17	38.12	34.11	31.21	31.08	30.14	29.14
Ore grade										
Copper (per cent)	0.47	0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70	0.73
Gold (grams/tonne)	0.60	0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02	1.03
Silver (grams/tonne)	1.48	1.55	1.47	1.70	1.80	1.86	1.96	1.87	2.12	1.99

Produced										
Concentrate (thousands of dry tonnes)	598.6	576.4	510.4	584.7	658.6	615.6	596.8	595.5	640.8	650.2
Contained copper (thousands of dry tonnes)	170.0	165.4	146.8	170.8	198.6	182.3	176.5	172.5	184.1	182.9
Concentrate grade										
Copper (per cent)	28.4	28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7	28.1
Gold (grams/tonne)	29.3	29.2	27.5	33.7	35.5	36.3	33.9	30.5	32.0	31.6
Silver (grams/tonne)	72.1	73.5	72.2	76.3	79.8	77.1	76.1	71.0	72.0	69.0

Sales										
Total concentrate (thousands of dry tonnes)	599.6	596.2	494.4	586.5	640.9	614.8	605.8	586.9	665.7	625.2
Shipped to:										
W. Germany	217.1	206.0	163.7	187.6	206.8	198.3	223.2	243.5	221.4	200.3
Japan	279.7	296.9	269.4	328.2	326.7	337.1	256.4	250.7	343.2	342.9
Spain	53.3	64.7	41.0	49.0	62.1	47.0	58.2	72.2	57.4	35.8
Other	49.5	28.6	20.3	21.7	45.3	32.4	68.0	20.6	43.8	46.2

Values										
Gross concentrate sales value (K million)	343.6	355.2	386.3	407.0	294.5	266.3	260.3	219.4	307.4	270.8
(before treatment and refining charges freight, etc.)										
Contribution by:										
Copper (per cent)	51	54	51	60	64	66	74	69	74	83
Gold (per cent)	47	44	46	37	34	32	24	29	25	16
Silver (per cent)	2	2	3	3	2	2	2	2	1	1

Other

Average metal prices										
L.M.E. copper (US\$/lb)	67.1	79.0	99.2	89.8	61.9	59.3	63.6	55.9	93.3	80.9
London gold market (US\$/oz.)	375.6	459.9	614.7	304.7	193.5	147.8	124.8	160.9	158.7	97.3
London silver market (US\$/oz.)	7.9	10.5	21.0	11.0	5.4	4.6	4.4	4.4	4.7	2.5
Return on shareholders' funds (%)	1.9	3.9	12.2	28.5	15.1	9.2	13.7	16.0	42.7	69.7
Earnings per share (toea)*	2.8	5.7	17.8	20.9	12.0	7.1	10.3	11.5	28.6	39.5
Dividends in toea per fully paid share* (par value, one kina)	2.5	5.0	16.0	20.0	10.0	5.3	6.7	6.7	18.3	20.0
Bonus dividend in toea per fully paid share*	—	—	24.0	6.7	—	—	—	—	—	—
Number of shares issued at end of year (millions)	401	401	401	267	267	267	267	267	267	267
Number of shareholders at end of year	36 486	38 027	38 326	38 750	40 935	43 820	50 082	54 129	55 558	45 353
Debt/equity ratio	0.20/1	0.17/1	0.05/1	0.15/1	0.19/1	0.37/1	0.40/1	0.44/1	0.52/1	0.72/1
Work force at end of year (P.N.G.)										
Overseas	756	801	877	851	855	853	858	942	980	929
National	3 174	3 377	3 416	3 314	3 243	3 063	2 989	3 094	3 242	2 915