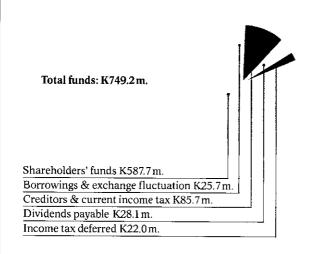
# **Balance Sheets**

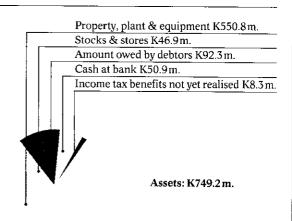
at 31 December, 1986 Bougainville Copper Limited		Cons	olidated	Bougainville		
= sugamente coppor Emitted		1986	Consolidated <b>1986</b> 1985		Copper Limited 1986 1985	
	Notes	K'000	K'000	K'000	1985 K'000	
Funds employed by the group:						
Shareholders' funds						
Paid up capital	4	401 063	401 063	401 063	401 063	
Asset revaluation reserve		31 276	31 276	31 276	31 276	
Retained earnings		155 401	154 204	<b>155 387</b>	154 211	
		587 740	586 543	587 726	586 550	
Exchange fluctuation	5	(3 170)	(5 890)	(3 170)	(5 890)	
Non-current liabilities		(3 2,0)	(0 050)	(3170)	(3 636)	
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	Ŭ	7 045	6 502	7 045	6 502	
8		56 334	61 341			
Current liabilities		30 334	61 341	56 334	61 341	
Loans	6	1 557	6 150		C 1 TT 0	
Creditors	6 7	1 573 47 784	6 152	1 573	6 152	
Income tax	/	30 878	40 605 19 267	47 775 30 878	40 349	
Dividends payable		28 074	20 053	28 074	19 267	
- Indiana pagasie	-				20 053	
Total funds	-	108 309	86 077	108 300	<u>85 821</u>	
	-	749 213	728 071	749 190	727 822	
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	
		559 136	567 641	559 145	567 650	
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	
	-	190 077	160 430	190 045	160 172	
Total assets	-	749 213	728 071	749 190	727 822	
D 1 2 6 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	=					

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**





## 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.

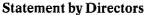
#### Foreign Currency:

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**



SEE SECTION S

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%);

(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

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

Naminasa Dtr. I td

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

344 891 014

### 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)	ner income	342.7	317.6	310.9	392.9	283.2	296.4
Net sales revenue and other exponenting and other exponential		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 Exchange gains/(losses)	and exchange gains	74.3 (0.3)	48.5 (1.4)	29.6 (2.8)	117.8 (16.3)	31.8 (3.3)	42.3 1.1
Earnings before taxation		74.0	47.1	26.8	101.5	28.5	43.4
Taxation Net earnings		28.7 45.3	<u>19.0</u> 28.1	15.2 11.6	46.9 54.6	17.3 11.2	20.6 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 equip		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 Total assets		<u>190.1</u> 740.9	160.4 719.1	<u>152.9</u> 729.3	<u>185.3</u> - 780.5	<u>155.9</u> 778.8	148.7 760.0
Shareholders' funds		<del>740.9</del> = 587.7	<del></del>	586.5	<del></del>	588.4	587.2
Exchange fluctuation		(3.2)	(5.9)	(5.3)	(4.7)	(5.4)	1.5
Long term liabilities Current liabilities		48.1 108.3	52.4 86.1	52.5 95.6	51.6 142.7	125.6 70.2	80.1 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 Ore grade	(millions of tonnes)	47.89	50.07	46.52	47.73	41.74	37.53
Copper	(per cent)	0.42 0.48	0.42 0.42	0.42 0.48	0.46 0.55	0.47 0.60	0.51 0.59
Gold Silver	(grams/tonne) (grams/tonne)	1.38	1.21	1.34	1.42	1.48	1.55
Produced							
Concentrate Contained copper	(thousands of dry tonnes) (thousands of dry tonnes)	586.6 178.6	581.8 175.0	542.3 164.4	636.9 183.2	598.6 170.0	576.4 165.4
Concentrate grade						28.4	•
Copper Gold	(per cent) (grams/tonne)	30.5 27.9	30.1 24.7	30.3 28.9	28.8 28.3	29.3	28.7 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:	(	207.3	163.5		216.7	217.1	206.0
Ŵ. Germany Japan		244.4	246.9	144.4 286.1	298.7	279.7	296.9
Śpain Other		37.0 100.7	61.5 88.1	52.6 67.7	50.5 70.2	53.3 49.5	64.7 28.6
Values		100-/	00.1	07.7		73.3	20.0
Gross concentrate sales	value (before treatment and	4170	381.3	373.4	454.6	343.6	355.2
refining charges, freig Contribution by:		417.9					
Copper Gold	(per cent) (per cent)	54 44	61 37	53 45	52 46	51 47	54 44
Silver	(per cent)	2		2	2	2	2
Other				· • • • • • • • • • • • • • • • • • • •			-
Average metal prices	/TTO _ /T \	60.5	617	60.4	71.0	£7 1	70.0
L.M.E. copper London gold market	(USc/lb) (US\$/oz.)	62.3 367.9	64.3 317.3	62.4 360.8	71.9 423.5	67.1 375.6	79.0 459.9
London silver market Return on shareholders'	(US\$/oz.)	5.5 7.7	6.1 4.8	8.1 2.0	11.4 9.3	7.9 1.9	10.5 3.9
Earnings per share (toea	)***	11.3	7.0	2.9	13.6	2.8	5.7
Dividends in toea per ful (par value, one kina) (	ly paid share*** 1986 interim 4t/share)	11.0	7.0	4.0	13.0	2.5	5.0
Bonus dividend in toea p	er fully paid share***	_	_		_	_	-
Number of shares issued Number of shareholders	at end of year (millions)	401 22 294	401 27 117	401 30 435	401 32 834	401 36 486	401 38 027
Debt/equity ratio Work force at end of year	-	.05/1	0.06/1	0.09/1	0.10/1	0.20/1	0.17/1
Overseas	. (E.N.G.)	706	704	749	751	756	801
National		2 993	2 948	2 987	3 058	3 174	3 377
Notes: * Full year figure:	s: but commercial production comm	nancad 1 Apri	1 1072				

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