

Balance Sheets

at 31 December, 1985
Bougainville Copper Limited



at 31 December, 1985		Consolidated		Bougainville	
Bougainville Copper Limited		1985	1984	Copper Limited	1984
	Notes	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		154 204	154 164	154 211	154 164
		<u>586 543</u>	<u>586 503</u>	<u>586 550</u>	<u>586 503</u>
Exchange fluctuation	5	<u>(5 890)</u>	<u>(5 269)</u>	<u>(5 890)</u>	<u>(5 269)</u>
Non-current liabilities					
Deferred income tax liability	3	24 452	25 995	24 452	25 995
Loans	6	30 387	29 849	30 387	29 849
Provision for long service leave		6 502	6 135	6 502	6 135
		<u>61 341</u>	<u>61 979</u>	<u>61 341</u>	<u>61 979</u>
Current liabilities					
Loans	6	6 152	21 813	6 152	21 813
Creditors	7	40 605	51 282	40 349	51 267
Income tax		19 267	14 509	19 267	14 509
Dividends payable		20 053	8 021	20 053	8 021
		<u>86 077</u>	<u>95 625</u>	<u>85 821</u>	<u>95 610</u>
Total funds		<u>728 071</u>	<u>738 838</u>	<u>727 822</u>	<u>738 823</u>
These funds are represented by:					
Non-current assets					
Future income tax benefit	3	8 965	9 572	8 965	9 572
Investments	8	156	156	165	165
Property, plant and equipment	9	558 520	576 215	558 520	576 215
		<u>567 641</u>	<u>585 943</u>	<u>567 650</u>	<u>585 952</u>
Current assets					
Bank balances and short term deposits		21 106	14 439	20 859	14 419
Debtors for sale of concentrate		79 706	76 720	79 706	76 720
Other debtors	10	5 437	7 199	5 426	7 195
Stocks and stores	11	54 181	54 537	54 181	54 537
		<u>160 430</u>	<u>152 895</u>	<u>160 172</u>	<u>152 871</u>
Total assets		<u>728 071</u>	<u>738 838</u>	<u>727 822</u>	<u>738 823</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 17 form part of these accounts and are to be read in conjunction with them.

Simplified Balance Sheet

		Shareholders' funds K586.5m.
		Borrowings & exchange fluctuation K30.6m.
Total funds: K728.1 m.		Amount owed to creditors & for current income tax K66.5m.
		Dividends payable K20.1m.
		Income tax deferred K24.4m.
<hr/>		
		Net investment in property, plant & equipment K558.6m.
		Stocks & stores K54.2m.
Assets: K728.1 m.		Amount owed by debtors K85.2m.
		Cash at bank K21.1m.
		Income tax benefits not yet realised K9.0m.

Notes to the Accounts

These notes form part of the 1985 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 Papua New Guinea and Australian Accounting Standards and conform in all material respects with International Accounting Standards. 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 to the buyer 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.

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 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.

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 Panguna this 14th day of February, 1986.

On behalf of the Board

D. C. VERNON

Chairman.

P. W. QUODLING

Managing Director.

Declaration by Secretary

I, Andrew Warrock Patterson, 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 14th day of February, 1986.

A. W. PATTERSON

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 14 to 20 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, 1985, 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).

Arawa, on 14th day of February, 1986.

Shareholdings

Distribution of shares

As at 14th February, 1986:

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 27 117.

The distribution of holdings of the issued shares was:

1- 1 000 shares	21 508
1 001- 5 000 shares	4 653
5 001-10 000 shares	557
10 001 shares and over	399
Total shareholders	27 117

The number of shareholders with less than a marketable parcel (1-99 shares) was 7 074.

88.8% 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 - 78 374 715 shares (19.5%).

Ten largest shareholders

The ten largest shareholders at 14th February, 1986, 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.	13 844 225
National Nominees Limited, Melbourne, Vic.	13 001 199
Indosuez Nominees Pty. Ltd., Melbourne, Vic.	9 964 641
C.R.A. Base Metals Pty. Limited, Melbourne, Vic.	4 099 452
Bougainville Copper Foundation, Panguna, P.N.G.	3 600 000
Bank of New South Wales Nominees Pty. Ltd., Sydney, N.S.W.	3 527 161
ISMG Nominees Pty. Ltd., Melbourne, Vic.	3 260 003
National Mutual Life Association of Australasia Limited, Melbourne, Vic.	2 260 900
	340 776 904

Directors' interests

Directors' interests in the share capital of the Company and its related companies as at 14th February, 1986 were:

D. C. Vernon	No interests
G. Billard	150 BCL shares
D. S. Carruthers	No interests
W. J. N. Davis	No interests
P. G. F. Henderson, A.C.	No interests
P. W. Quodling	No interests
J. T. Ralph	171 BCL shares 690 CRA shares
W. D. Searson	3 000 BCL shares

Abbreviations:

BCL - Bougainville Copper Limited

CRA - CRA Limited

Statistical Summary

	1985	1984	1983	1982	1981	1980
Financial						
Earnings (K million)						
Net sales revenue and other income	317.6	310.9	392.9	283.2	296.4	338.7
Operating and other expenses	221.5	234.8	228.1	207.2	210.8	174.8
Depreciation and amortisation	47.6	46.5	47.0	44.2	43.3	43.8
Earnings before taxation and exchange gains	48.5	29.6	117.8	31.8	42.3	120.1
Exchange gains/(losses)	(1.4)	(2.8)	(16.3)	(3.3)	1.1	2.6
Earnings before taxation	47.1	26.8	101.5	28.5	43.4	122.7
Taxation	19.0	15.2	46.9	17.3	20.6	51.2
Net earnings	28.1	11.6	54.6	11.2	22.8	71.5
Dividends	28.1	16.0	52.1	10.0	20.1	64.2
Earnings retained	—	(4.4)	2.5	1.2	2.7	7.3
Balance sheet (K million)						
Property, plant and equipment	558.5	576.2	594.9	622.8	611.2	610.8
Investments	0.2	0.2	0.3	0.1	0.1	0.1
Current assets	160.4	152.9	185.3	155.9	148.7	148.4
Total assets	719.1	729.3	780.5	778.8	760.0	759.3
Shareholders' funds	586.5	586.5	590.9	588.4	587.2	584.5
Exchange fluctuation	(5.9)	(5.3)	(4.7)	(5.4)	1.5	5.1
Long term liabilities	52.4	52.5	51.6	125.6	80.1	25.7
Current liabilities	86.1	95.6	142.7	70.2	91.2	144.0
Funds employed	719.1	729.3	780.5	778.8	760.0	759.3
Production/Sales						
Mined						
Ore and waste removed (millions of tonnes)	73.62	74.74	81.00	76.22	77.56	79.76
Ore milled (millions of tonnes)	50.07	46.52	47.73	41.74	37.53	37.62
Ore grade						
Copper (per cent)	0.42	0.42	0.46	0.47	0.51	0.46
Gold (grams/tonne)	0.42	0.48	0.55	0.60	0.59	0.50
Silver (grams/tonne)	1.21	1.34	1.42	1.48	1.55	1.47
Produced						
Concentrate (thousands of dry tonnes)	581.8	542.3	636.9	598.6	576.4	510.4
Contained copper (thousands of dry tonnes)	175.0	164.4	183.2	170.0	165.4	146.8
Concentrate grade						
Copper (per cent)	30.1	30.3	28.8	28.4	28.7	28.8
Gold (grams/tonne)	24.7	28.9	28.3	29.3	29.2	27.5
Silver (grams/tonne)	79.3	81.9	74.4	72.1	73.5	72.2
Shipped						
Total concentrate (thousands of dry tonnes)	560.0	550.8	636.1	599.6	596.2	494.4
Shipped to:						
W. Germany	163.5	144.4	216.7	217.1	206.0	163.7
Japan	246.9	286.1	298.7	279.7	296.9	269.4
Spain	61.5	52.6	50.5	53.3	64.7	41.0
Other	88.1	67.7	70.2	49.5	28.6	20.3
Values						
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	381.3	373.4	454.6	343.6	355.2	386.3
Contribution by:						
Copper (per cent)	61	53	52	51	54	51
Gold (per cent)	37	45	46	47	44	46
Silver (per cent)	2	2	2	2	2	3
Other						
Average metal prices						
L.M.E. copper (US\$/lb)	64.3	62.4	71.9	67.1	79.0	99.2
London gold market (US\$/oz.)	317.3	360.8	423.5	375.6	459.9	614.7
London silver market (US\$/oz.)	6.1	8.1	11.4	7.9	10.5	21.0
Return on shareholders' funds (%)	4.8	2.0	9.3	1.9	3.9	16.3
Earnings per share (toea)***	7.0	2.9	13.6	2.8	5.7	17.8
Dividends in toea per fully paid share***						
(par value, one kina) (1985 interim 2t/share)	7.0	4.0	13.0	2.5	5.0	16.0
Bonus dividend in toea per fully paid share***	—	—	—	—	—	4.0
Number of shares issued at end of year (millions)	401	401	401	401	401	401
Number of shareholders at end of year	27 117	30 435	32 834	36 486	38 027	38 326
Debt/equity ratio	0.06/1	0.09/1	0.10/1	0.20/1	0.17/1	0.05/1
Work force at end of year (P.N.G.)						
Overseas	704	749	751	756	801	877
National	2 948	2 987	3 058	3 174	3 377	3 416

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