

# 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, 1983.

## Directors:

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

D. C. Vernon (Chairman)

Sir Frank Espie, O.B.E.

R. H. Harding

P. W. Quodling

J. T. Ralph

W. D. Searson

D. C. Vernon and W. D. Searson 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. BCL (Hong Kong) Limited arranges shipping contracts on behalf of the Company.

## Net Earnings:

The net earnings of Bougainville Copper Limited and its subsidiaries for 1983 totalled K54 660 000 after providing K47 024 000 for depreciation and amortisation, K4 738 000 for royalties and K46 963 000 for income tax.

## Taxation:

Taxation of K46 963 000 charged to earnings comprises K43 182 000 current tax and K3 781 000 future tax.

## Subsidiaries:

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 K14 847 000 were realised on the repayment of United States and Australian dollar loans. Unrealised exchange losses on overseas borrowings were K2 058 000. In addition, exchange gains of K580 000 arose on the translation of overseas bank balances. All these gains and losses were included in 1983 earnings.

## Long Term Loans:

Drawdowns of K238 084 000 were made during the year against long term loan arrangements. Repayments of K319 429 000 were made against existing loans, leaving a balance outstanding at the end of the year of K56 667 000.

## Dividends:

An interim dividend of five toea per share was paid in November. A final dividend of eight toea per share has been declared and is payable on 3rd May, 1984. 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, 1983, and the date of this report, 23 February, 1984.

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 group 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 K43 000 was adequate.

2. They are not aware of any circumstances which would render the amounts written off for bad debts or the amount 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 1984.

Signed this 23rd day of February, 1984 in accordance with a resolution of the Directors of Bougainville Copper Limited.

D. C. Vernon  
Chairman.

P. W. Quodling  
Managing Director.

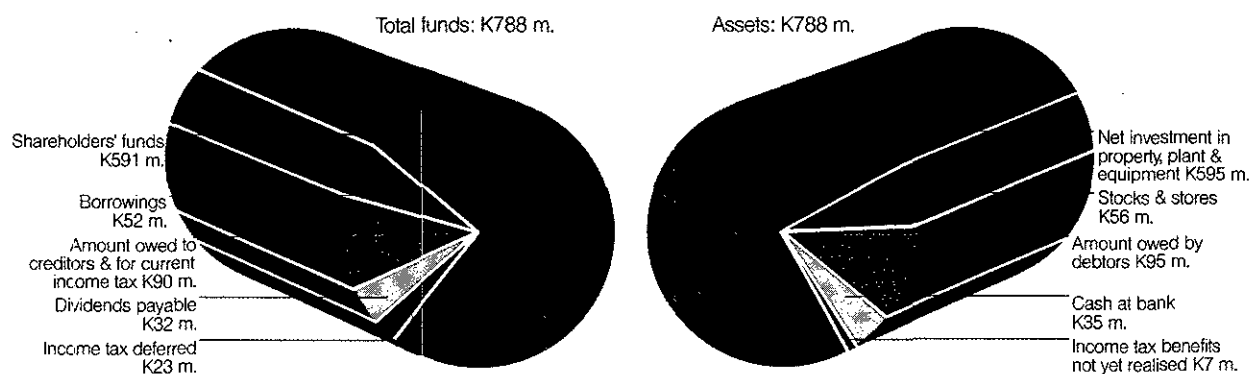
# Balance Sheets

at 31 December, 1983  
Bougainville Copper Limited

		Consolidated		Bougainville Copper Limited	
		1983	1982	1983	1982
	Notes	K'000	K'000	K'000	K'000
<b>Funds employed by the group:</b>					
<b>Shareholders' funds</b>					
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		158 605	156 083	158 598	156 088
		<u>590 944</u>	<u>588 422</u>	<u>590 937</u>	<u>588 427</u>
<b>Exchange fluctuation</b>	5	<u>(4 723)</u>	<u>(5 387)</u>	<u>(4 723)</u>	<u>(5 387)</u>
<b>Non-current liabilities</b>					
Deferred income tax liability	3	22 548	16 973	22 548	16 973
Loans	6	31 123	109 077	31 123	109 077
Provision for long service leave		5 277	5 019	5 277	5 019
		<u>58 948</u>	<u>131 069</u>	<u>58 948</u>	<u>131 069</u>
<b>Current liabilities</b>					
Loans	6	25 544	12 695	25 544	12 695
Creditors	7	45 158	37 566	45 148	37 559
Income tax		39 865	9 883	39 865	9 883
Dividends payable		32 085	10 027	32 085	10 027
		<u>142 652</u>	<u>70 171</u>	<u>142 642</u>	<u>70 164</u>
<b>Total funds</b>		<u>787 821</u>	<u>784 275</u>	<u>787 804</u>	<u>784 273</u>
<b>These funds are represented by:</b>					
<b>Non-current assets</b>					
Future income tax benefit	3	7 273	5 479	7 273	5 479
Investments	8	285	145	294	154
Property, plant and equipment	9	594 945	622 819	594 945	622 819
		<u>602 503</u>	<u>628 443</u>	<u>602 512</u>	<u>628 452</u>
<b>Current assets</b>					
Bank balances and short term deposits		35 376	8 320	35 108	8 309
Debtors for sale of concentrate		88 860	90 126	88 860	90 126
Other debtors	10	5 006	4 801	5 248	4 801
Stocks and stores	11	56 076	52 585	56 076	52 585
		<u>185 318</u>	<u>155 832</u>	<u>185 292</u>	<u>155 821</u>
<b>Total assets</b>		<u>787 821</u>	<u>784 275</u>	<u>787 804</u>	<u>784 273</u>
<b>Commitments</b>	13				
<b>Contingent liabilities</b>	14				

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



# Notes to the Accounts

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These notes form part of the 1983 accounts and consolidated accounts of Bougainville Copper Limited and should be read in conjunction with them.

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## **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 twenty years 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, research and development is written off or provided against 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 usually 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 each shipment has arrived at its destination. Realistic 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.

During the year the standard company income tax rate was reduced from 36½% to 35% effective 1st January, 1983. The income tax expense for the year includes the tax effect (K481 000) of this reduction on cumulative timing differences brought forward from the previous year.

### **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 sheet under exchange fluctuation.

### **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 arranges shipping contracts on behalf of the Company. These companies have been consolidated in accordance with conventional consolidation principles.

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# 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 23rd day of February, 1984.

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 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 23rd day of February, 1984.

A.W. PATTERSON

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 and the consolidated funds statement.

In our opinion these balance sheets, statements of earnings and funds statement 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, 1983, 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, 23rd February, 1984.

# Shareholdings

## Distribution of shares

As at 16th February, 1984: 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 32 450.

The distribution of holdings of the issued shares was:

1- 1 000 shares	25 021
1 001- 5 000 shares	6 182
5 001-10 000 shares	730
10 001 shares and over	517
<b>Total shareholders</b>	<b>32 450</b>

87.66% 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 - 80 978 062 shares (20.2%).

## Ten largest shareholders

The ten largest shareholders at 16th February, 1984, 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.	20 936 576
National Nominees Limited, Melbourne, Vic.	12 516 857
The Investment Corporation of Papua New Guinea, Port Moresby, P.N.G.	4 547 253
C.R.A. Base Metals Pty. Limited, Melbourne, Vic.	4 099 452
The National Mutual Life Association of Australasia Limited, Melbourne, Vic.	4 095 759
Panguna Development Foundation Limited, Panguna, P.N.G.	3 600 000
Bank of New South Wales Nominees Pty. Ltd., Sydney, N.S.W.	2 950 709
Darling Nominees Pty. Ltd.	2 843 700
	<b>342 809 629</b>

## Directors' interests

Directors' interests in the share capital of the Company and its related companies as at 21st January, 1984 were:

D. C. Vernon	No interests
Sir Frank Espie, O.B.E.	750 BCL shares 626 CRA shares
R. H. Harding	7 083 CRA shares 504 BCL shares 1 000 MKU shares 1 149 COM shares
P. W. Quodling	No interests
J. T. Ralph	171 BCL shares 690 CRA shares
W. D. Searson	3 500 BCL shares

Abbreviations:

BCL - Bougainville Copper Limited

CRA - CRA Limited

MKU - Mary Kathleen Uranium Limited

COM - Comalco Limited

# 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. The Company prepares 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

1983 1982  
K'000 K'000

Income	392 859	283 176
Costs and expenses excluding interest	265 864	235 265
<b>Historical cost earnings before interest</b>	<b>126 995</b>	<b>47 911</b>
Less:		
Current cost operating adjustments (refer below)	25 475	21 667
<b>Current cost earnings from operations</b>	<b>101 520</b>	<b>26 244</b>
Interest on net borrowing	9 047	16 141
	92 473	10 103
Net exchange losses	16 325	3 299
<b>Current cost earnings before taxation</b>	<b>76 148</b>	<b>6 804</b>
Income tax	46 963	17 261
Current cost (losses)/earnings attributable to entity	29 185	(10 457)
Add:		
Gearing adjustment	4 396	6 462
<b>Current cost earnings attributable to shareholders</b>	<b>33 581</b>	<b>(3 995)</b>
Add:		
Current cost retained earnings brought forward	113 861	127 883
	147 442	123 888
Less:		
Dividends	52 138	10 027
<b>Current cost retained earnings carried forward</b>	<b>95 304</b>	<b>113 861</b>
<b>Current cost operating adjustments:</b>		
Cost of sales	2 911	3 986
Monetary working capital	7 106	3 205
<b>Working capital</b>	<b>10 017</b>	<b>7 191</b>
Depreciation	15 246	13 115
Disposals of property, plant and equipment	212	1 361
<b>Property, plant and equipment</b>	<b>15 458</b>	<b>14 476</b>
	25 475	21 667

## Current Cost Balance Sheet

### Funds employed by the group:

#### Shareholders' funds

Paid up capital	401 063	401 063
Current cost reserve	386 619	324 211
Retained earnings	95 304	113 861
	882 986	839 135
Exchange fluctuation	(4 723)	(5 387)
Non-current liabilities	58 948	131 069
Current liabilities	142 652	70 171
<b>Total funds</b>	<b>1 079 863</b>	<b>1 034 988</b>

#### These funds are represented by:

Future income tax benefit	7 273	5 479
Investments	285	145
Property, plant and equipment	880 312	871 540
Stocks and stores	62 751	54 577
Other current assets	129 242	103 247
<b>Total assets</b>	<b>1 079 863</b>	<b>1 034 988</b>

# Statistical Summary

Financial	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
<b>Earnings (K million)</b>										
Net sales revenue and other income	392.9	283.2	296.4	338.7	343.1	225.1	205.3	208.9	193.1	292.6
Operating and other expenses	228.1	207.2	210.8	174.8	144.1	125.0	126.8	117.5	107.2	92.5
Depreciation	47.0	44.2	43.3	43.8	40.7	40.4	36.2	31.1	29.6	28.5
Earnings before taxation and exchange gains	117.8	31.8	42.3	120.1	158.3	59.7	42.3	60.3	56.3	171.6
Exchange gains/(losses)	(16.3)	(3.3)	1.1	2.6	3.5	10.3	(0.1)	1.3	2.3	9.5
Earnings before taxation	101.5	28.5	43.4	122.7	161.8	70.0	42.2	61.6	58.6	181.1
Taxation	46.9	17.3	20.6	51.2	77.9	22.0	13.7	20.3	12.4	66.5
Net earnings	54.6	11.2	22.8	71.5	83.9	48.0	28.5	41.3	46.2	114.6
Dividends	52.1	10.0	20.1	64.2	80.2	40.1	21.4	26.7	26.7	73.5
Earnings retained	2.5	1.2	2.7	7.3	3.7	7.9	7.1	14.6	19.5	41.1
<b>Balance sheet (K million)</b>										
Property, plant and equipment	594.9	622.8	611.2	610.8	325.4	340.1	352.2	350.4	346.0	352.2
Investments	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current assets	185.3	155.9	148.7	148.4	201.0	125.8	137.1	136.0	129.5	205.6
Total assets	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9
Shareholders' funds	590.9	588.4	587.2	584.5	294.5	317.5	309.7	302.5	287.9	268.4
Exchange fluctuation	(4.7)	(5.4)	1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1
Long term liabilities	51.6	125.6	80.1	25.7	36.2	42.1	53.3	101.7	106.8	121.1
Current liabilities	142.7	70.2	91.2	144.0	190.4	97.4	111.8	73.3	69.4	149.3
Funds employed	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9
<b>Production/Sales</b>										
<b>Mined</b>										
Ore and waste removed (millions of tonnes)	81.00	76.22	77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00
Ore milled (millions of tonnes)	47.73	41.74	37.53	37.62	36.17	38.12	34.11	31.21	31.08	30.14
Ore grade										
Copper (per cent)	0.46	0.47	0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70
Gold (grams/tonne)	0.55	0.60	0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02
Silver (grams/tonne)	1.42	1.48	1.55	1.47	1.70	1.80	1.86	1.96	1.87	2.12
<b>Produced</b>										
Concentrate (thousands of dry tonnes)	636.9	598.6	576.4	510.4	584.7	658.6	615.6	596.8	595.5	640.8
Contained copper (thousands of dry tonnes)	183.2	170.0	165.4	146.8	170.8	198.6	182.3	176.5	172.5	184.1
Concentrate grade										
Copper (per cent)	28.8	28.4	28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7
Gold (grams/tonne)	28.3	29.3	29.2	27.5	33.7	35.5	36.3	33.9	30.5	32.0
Silver (grams/tonne)	74.4	72.1	73.5	72.2	76.3	79.8	77.1	76.1	71.0	72.0
<b>Sales</b>										
Total concentrate (thousands of dry tonnes)	636.1	599.6	596.2	494.4	586.5	640.9	614.8	605.8	586.9	665.7
Shipped to:										
W. Germany	216.7	217.1	206.0	163.7	187.6	206.8	198.3	223.2	243.5	221.4
Japan	298.7	279.7	296.9	269.4	328.2	326.7	337.1	256.4	250.7	343.2
Spain	50.5	53.3	64.7	41.0	49.0	62.1	47.0	58.2	72.2	57.4
Other	70.2	49.5	28.6	20.3	21.7	45.3	32.4	68.0	20.6	43.8
<b>Values</b>										
Gross concentrate sales value (before treatment and refining charges freight, etc.) (K million)	454.6	343.6	355.2	386.3	407.0	294.5	266.3	260.3	219.4	307.4
Contribution by:										
Copper (per cent)	52	51	54	51	60	64	66	74	69	74
Gold (per cent)	46	47	44	46	37	34	32	24	29	25
Silver (per cent)	2	2	2	3	3	2	2	2	2	1
<b>Other</b>										
Average metal prices										
L.M.E. copper (US\$/lb)	71.9	67.1	79.0	99.2	89.8	61.9	59.3	63.6	55.9	93.3
London gold market (US\$/oz.)	423.5	375.6	459.9	614.7	304.7	193.5	147.8	124.8	160.9	158.7
London silver market (US\$/oz.)	11.4	7.9	10.5	21.0	11.0	5.4	4.6	4.4	4.4	4.7
Return on shareholders' funds (%)	9.3	1.9	3.9	12.2	28.5	15.1	9.2	13.7	16.0	42.7
Earnings per share (toea)*	13.6	2.8	5.7	17.8	20.9	12.0	7.1	10.3	11.5	28.6
Dividends in toea per fully paid share* (par value, one kina)	13.0	2.5	5.0	16.0	20.0	10.0	5.3	6.7	6.7	18.3
Bonus dividend in toea per fully paid share*	-	-	-	4.0	6.7	-	-	-	-	-
Number of shares issued at end of year (millions)	401	401	401	401	267	267	267	267	267	267
Number of shareholders at end of year	32 834	36 486	38 027	38 326	38 750	40 935	43 820	50 082	54 129	55 558
Debt/equity ratio	0.10/1	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
Work force at end of year										
Overseas	751	756	801	877	851	855	853	858	942	980
National	3 058	3 174	3 377	3 416	3 314	3 243	3 063	2 989	3 094	3 242

Note: \* 1974 to 1979 figures are after adjustment for the 1980 capital reconstruction