

SECTION C

**NATIONAL GOVERNMENT
SHAREHOLDINGS IN
OTHER COMPANIES**

73. FOREWORD

This Section of my Report deals with companies in which the Government owns 50% or less of the issued share capital of a company.

The auditing and reporting requirements of these companies are stipulated under the *Companies Act, 1997*, and these have been elaborated in Paragraph 60 of this Report .

As the Government of Papua New Guinea does not hold majority interest in these companies, the accounts of these companies are audited by private auditors.

However, because public monies are invested in these companies, my responsibilities require the inclusion of the summaries of their accounts and the comments of the private auditors' reports in this section of my Report.

74. BOUGAINVILLE COPPER LIMITED

74.1 INTRODUCTION

Bougainville Copper Limited, formerly Bougainville Copper Pty. Limited, was incorporated under the *Companies Act*. The main objects of the company are to prospect, explore, quarry, develop, excavate, dredge for, open, work, purchase or otherwise obtain copper and other various metals and minerals.

From 1972 until 1989, the company operated a large open pit mine and processing facility at Panguna on the island of Bougainville in the North Solomons Province of Papua New Guinea. It produced concentrate containing copper, gold and silver, which was sold primarily under long term contracts to smelters in Asia and Europe. On 15 May, 1989 production was brought to a halt by militant activity, and has not recommenced since.

At 31 December, 2008 the issued capital of the Company was 401,062,500 ordinary shares of K1 each, fully paid. Of these, the Government of Papua New Guinea held 76,430,809 ordinary shares of K1 each, or 19.06% of the total shares.

74.2 REPORT OF THE COMPANY'S AUDITORS

A private firm of auditors have conducted the audit of the Company's financial statements including the accounts and records for the year ended 31 December, 2008 and the audit report was issued on 05 March, 2009. This report contained the following qualification:

"BASIS OF DISCLAIMER OF AUDITOR'S OPINION

The financial report of Bougainville Copper Limited for the year ended 31 December, 2008 has been prepared with the inclusion of the Company's mine assets at their 1 January, 1991 book value, with a separate general impairment loss provision of K350 million having been made in 1991 for the value of the indeterminate level of deterioration, damage and pilferage of assets which has occurred in the period since the withdrawal of company personnel from Bougainville in 1990. As explained in Note 1(b) to the accounts, there continues to be considerable uncertainty surrounding the future of the Panguna mine, and the extent of deterioration, damage and pilferage of the Company's assets on Bougainville. While the directors have made this impairment provision in good faith based on the limited information available to them, it must be recognised that the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company representatives is again possible or when a reliable market price for the Panguna assets can be determined.

In our opinion, providing for the probable impairment loss from deterioration, damage or pilferage is the appropriate accounting treatment for the actual impairment which will have occurred in the period to 31 December, 2008. However, as the actual extent of such impairment can only be established after the Company regains access to the mine site or a reliable market price can be determined, we recognise that, at present, the recoverable amount of the company's assets on Bougainville is not capable of reliable measurement or estimation. Accordingly, the impairment provision made by directors in 1991 may eventually prove to be above or below the sum which is necessary to reflect this impairment. In the absence of all the necessary information and explanations we require, and for the reasons set out above, we are unable to form an opinion as to whether or not the impairment provision against the carrying amount of mine assets of K350 million is adequate or not. Accordingly, we are unable to form an opinion as to whether or not the carrying value of the mine assets, as disclosed in these accounts, is properly stated.

The Directors have established a provision of K22.1 million for compensation, rehabilitation and stabilisation for which the company may be liable. The Company's actual liability for these costs is subject to significant uncertainty, and we are unable to form an opinion as to whether the provision is fairly stated.

The mine assets, which represent 60% of the book value of total assets and 67% of the book value of net tangible assets, and the liability for compensation, rehabilitation and stabilisation, are of fundamental importance to the presentation of the accounts. In view of these matters over the carrying amount of the mine assets and the liability for compensation, rehabilitation and stabilisation as set out above, we are unable to form an opinion as to whether or not the financial report gives a true and fair view of the financial position of the Company as at 31 December, 2008 and its performance for the year ended on that date.

Disclaimer of Audit Opinion

Because of the existence of the limitation in the scope of our work and significance of the matters described in the paragraphs above:

- (a) We have not obtained all the information and explanations that we have required; and
- (b) We are unable to, and do not express, an opinion as to whether the financial report of Bougainville Copper Limited:
 - (i) gives a true and fair view of the financial position of Bougainville Copper Limited as at 31 December, 2008 and its performance for the year then ended; and
 - (ii) is presented in accordance with the *Companies Act, 1997*, International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea.

Report on other Legal and Regulatory Requirements

The *Papua New Guinea Companies Act, 1997* requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (i) In our opinion proper accounting records have been kept by the company, so far as appears from our examination of those records;
- (ii) with the exception of the matters described above we have obtained all the information and explanations we have required; and
- (iii) in conducting our audit we followed applicable independence requirements of Certified Practising Accountants of Papua New Guinea (CPAPNG)".

75. GOGOL REFORESTATION COMPANY LIMITED

75.1 INTRODUCTION

Gogol Reforestation Company Limited was incorporated under the *Companies Act, 1997*. The object of the Company is to be involved in reforestation.

At 31 December, 2008, the issued and fully paid up Capital of the Company comprised 102,001 'A' class ordinary shares of K1.00 each and 98,001 'B' class ordinary shares of K1.00 each. Of these, the Government of Papua New Guinea held 98,001 'B' class ordinary shares of K1.00 each, representing 49% of the issued capital at a cost of K98,001.

75.2 REPORT OF THE COMPANY'S AUDITORS

A private firm of auditors have conducted the audit of the Company's financial statements including the accounts and records for the year ended 31 December, 2008 and the report was issued on 2 July, 2009. I sighted the audit report and it did not contain any qualification.

76. OK TEDI MINING LIMITED

76.1 INTRODUCTION

OK Tedi Mining Limited, formerly Mt. Fubilan Development Company Limited, was incorporated under the *Companies Act*. The main function of the Company is mining.

At 31 December, 2008, the issued and fully paid up capital of the Company was K237,929,000 (235,000,000 Ordinary Shares with no par value). Of these, the Government of Papua New Guinea held fully paid 47,000,000 Ordinary Shares valued at K47,000,000 representing 20% of the Ordinary Share capital.

76.2 REPORT OF THE COMPANY'S AUDITORS

A private firm of auditors reported on the accounts of the Company and the Group for the year ended 31 December, 2008 and the report was issued on 20 February, 2009. I sighted the audit report and it did not contain any qualification.

77. OPEN BAY TIMBER LIMITED

77.1 INTRODUCTION

Open Bay Timber Limited was incorporated on 30 June, 1973 under the *Companies Act*. The main functions of the Company are logging, road construction and reforestation.

At 31 December, 2007 the issued and paid up capital of the Company was K13,215,000 comprising 2,215,000 Ordinary Shares of K1.00 each, and 11,000,000 Non-Voting, Non-dividend bearing Redeemable Preference Shares of K1.00 each. Of these, the Government of Papua New Guinea holds 443,000 Ordinary Shares of K1.00 each, representing 20% of the Ordinary Share capital acquired at a cost of K443,000.

77.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the 443,000 Ordinary Shares held by General Business Trust for the Government of Papua New Guinea was sold to the parent company, Kowa Lumber Corporation (Incorporated in Japan) on 14 July, 2008.

That being the case, this will be my last report on the Company to Parliament.

78. PACIFIC FORUM LINE LIMITED

78.1 INTRODUCTION

Pacific Forum Line Limited was incorporated in Western Samoa. The main function of the Company is to provide shipping services within the South Pacific Region. The Company has a subsidiary, Pacific Forum Line (NZ) Limited, which is the operating arm of the Company located in Auckland, New Zealand.

At 31 December, 2007 the issued and fully paid up Capital of the Company comprised 120,000 "A" Class ordinary shares of NZ\$0.64 (New Zealand Dollar) each and 20,789,582 "B" Class ordinary shares of NZ\$0.64 each. Of these, the Government of Papua New Guinea held 10,000 "A" Class ordinary shares and 6,037,524 "B" Class ordinary shares of NZ\$.64 each, representing 8.33% of "A" Class and 29.04% of "B" Class ordinary shareholding.

78.2 STATUS OF FINANCIAL STATEMENTS

At the time of preparing this Report, the audited financial statements of the Company for the year ended 31 December, 2008 had not been submitted for my verification.

79. CTP (PNG) LIMITED (FORMERLY PACIFIC RIM PLANTATIONS LIMITED)

79.1 INTRODUCTION

Higaturu Oil Palms Limited was incorporated under the *Companies Act*. The Company was established to develop and operate oil palm estates and oil palm mills, on land leased from the Papua New Guinea Government at Popondetta. Its name was changed to Pacific Rim Plantations Limited on 21 June, 1995. The name Pacific Rim Plantations was further changed to CTP (PNG) Limited on 25 May, 2005.

At 31 May, 2008, the authorised share capital of the Company was K100 million, and K73.3 million had been issued, comprising 14,661,915 “A” Ordinary Shares of K1 each, 55,466,785 “B” Ordinary Shares of K1 each and 3,184,01 “C” Ordinary Shares of K1 each. Of these, the Independent Public Business Corporation held 14,661,915 “A” Ordinary Shares of K1 each representing a 20% shareholding.

79.2 REPORT OF THE COMPANY’S AUDITORS

A private firm of auditors reported on the Company’s financial statements for the year ended 1 May, 2008 on 6 October, 2008. I have examined the report and it did not contain any qualification.

80. PNG SUSTAINABLE DEVELOPMENT PROGRAM LIMITED

80.1 INTRODUCTION

80.1.1 Legislation

The PNG Sustainable Development Program Limited was incorporated in Singapore under the *Companies Act, 1997* on 20 October, 2001.

As a Company limited by guarantee “PNG Sustainable Development Program Limited” has no share capital, debentures, share options and unissued shares.

The principal activity of the Company is to promote sustainable development within, and advance the general welfare of the people of Papua New Guinea, particularly those of the Western Province of Papua New Guinea through supporting programs and projects in the areas of capacity building, health, education, economic development, infrastructure, community self-reliance, local community leadership and institutional capacity and other social and environmental purposes for the benefit of those people.

80.1.2 Objects of the PNG Sustainable Development Program Limited

The objective of the Company is to promote and improve the quality of life of current and future generations of the people of Papua New Guinea, especially of Western Province by:

- Investing and managing wisely the income and resources of the Company;
- Undertaking investments and supporting development programs and projects that are sustainable-providing significant benefits in the short and long term to the people, local communities, provinces and the nation;
- Meeting the best international standards - financial, physical, cultural, social and environmental in our activities; and
- Working together with the people of Papua New Guinea in partnership with the government, churches and other non-government and business partners.

80.1.3 Functions of the PNG Sustainable Development Program Limited

The Primary functions of the program are:

- to promote sustainable development in Western Province and Papua New Guinea more generally; and
- to manage the Long Term Fund to support a high level of development expenditure in Western Province in particular and Papua New Guinea in general for at least 40 years after the closure of the Ok Tedi Mine.

80.2 REPORT OF THE COMPANY’S AUDITORS

A private firm of auditors conducted the audit of the Company and of the Group’s financial statements for the year ended 31 December, 2008 including the accounts and records and the report was issued on 07 April, 2009. This report did not contain any qualification.

81. RAMU AGRI INDUSTRIES LIMITED (FORMERLY RAMU SUGAR HOLDINGS LIMITED)

81.1 INTRODUCTION

Ramu Agri Industries Limited (Formerly Ramu Sugar Holdings Limited) was incorporated under the *Companies Act, 1997* and owns subsidiary companies, the Ramu Sugar Holdings and Ramu Sugar Refiners Limited. On 28 September, 2007 at the Annual General Meeting, the Company name was changed from Ramu Sugar Holdings Limited to Ramu Agri Industries Limited.

The operational activities of the Group are carried out by Ramu Sugar Limited and Ramu Sugar Refiners Limited, with Ramu Sugar Holdings Limited acting in the capacity of a holding company. Ramu Sugar Limited operates as a sugar grower and producer and its other activities include the production of crude and potable ethanol and the operation of beef cattle ranches, part of which is an abattoir and a meat processing facility. Ramu Sugar Refiners Limited is a newly formed company which will carry out the refining part of the sugar produced by Ramu Sugar Limited.

As at 31 March, 2008, the issued capital of the Company was as follows:

	2008 K'000	2007 K'000
24,104,000 Ordinary Shares	24,104	23,560
TOTAL	24,104	23,560

Of the issued capital, the Independent Public Business Corporation holds 5,954,480 ordinary shares representing 24.70% (2007: 25.27%) of the total shareholding in the company on behalf of the Government of Papua New Guinea.

81.2 STATUS OF FINANCIAL STATEMENTS

The financial statements and the Independent Auditor's report of the Ramu Agri Industries Limited for the period 01 April, 2007 to 30 March, 2008 was included in my 2007 Part IV Report to Parliament.

The Government in the National Executive Council Decision # 87/2008 of 14 May, 2008, approved the sale of its share of 5,954,480 ordinary shares to New Britain Palm Oil Limited. This transaction was effected thru Independent Public Business Corporation.

That being the case this will be my last report to Parliament on the Company.