FILE NAME: Cape Asbestos (CAPE)

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Consolidated Profit and Loss Account Year ended 31 March 1977

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

	1977		1976	
	£000	£000	£000	£000
Income from investments *(note 1)*		18,581		18,220
Surplus on realizations of investments		2,375		6,078
Interest receivable		2,746		2,911
Trading profit *(note 5)*		18,936		14,566
		42,638		41,775
Deduct: Administration and technical expenditure *(note 5)*	3,674		2,127	
Prospecting expenditure	825		1,053	
Interest payable *(note 3)*	5[illegible]		5,821	
		10,276		9,001
		32,362		32,774
Group share of retained profits less losses of associated companies *(note 2)*		6,369		3,663
Profit before taxation		38,731		36,437
Taxation *(note 7)*		18,693		14,666
Profit after taxation and before extraordinary items		20,038		21,771
Deduct: Interest of outside shareholders in profits of subsidiaries	2,597		2,159	
Pre-acquisition profit	—		223	
		2,597		2,382
Attributable to Charter		17,441		19,389
Earnings per share 16.64p (1976 – 18.50p) *(note 8)*				
Dividends paid and proposed *(note 9)*		7,789		7,081
Profit for the year retained before extraordinary items		9,652		12,308
Deduct: Extraordinary items *(note 4)*		9,384		2,775
Retained profit transferred to reserves		268		9,533
Profit for the year after extraordinary items totalled £8,057,000 (1976 – £16,614,000)				
Movements on reserves *(note 17)*				
Reserves at 31 March 1976		155,121		140,725
Retained profit for the year		268		9,533
Revaluation of properties net of deferred taxation		—		5,184
Dilution and disposals of shareholdings in subsidiary and associated companies		(1,724)		(321)
Reserves at 31 March 1977		153,665		155,121

The accounting policies on pages 18 and 19 and the notes on pages 23 to 31 form part of these accounts.
The report of the auditors is on page 17.

Consolidated Balance Sheet 31 March 1977

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

	1977		1976	
	£000	£000	£000	£000
Fixed assets *(note 10)*		54,199		47,353
Exploration and development expenditure		601		657
Investments *(note 11)*		195,969		196,151
Current assets				
Stocks and work in progress *(note 12)*	32,756		23,939	
Debtors	41,405		37,100	
Short term loans and deposits	28,667		33,679	
Bank and cash balances	1,978		2,024	
	104,806		96,742	
Current liabilities				
Associated companies' and other deposit accounts	4,710		8,595	
Bank loans and overdrafts (secured – £2,696,000; 1976 – £528,000)	16,379		9,352	
Creditors *(note 13)*	35,582		35,274	
Taxation	5,473		4,295	
Proposed final dividend	4,907		4,461	
	67,051		61,977	
Net current assets		37,755		34,765
		288,524		278,926
Financed by:				
Share capital *(note 14)*		26,202		26,202
Share premium account *(note 15)*		30,631		30,622
Reserves *(note 17)*		153,665		155,121
Total capital and reserves		210,498		211,945
Capital expenditure grants		988		863
Interest of outside shareholders in subsidiaries		15,946		13,332
Long term indebtedness *(note 16)*		53,230		49,414
Deferred taxation *(note 18)*		7,862		3,372
		288,524		278,926

M. B. HOFMEYR
B. W. PAIN
} *Directors*

The accounting policies on pages 18 and 19 and the notes on pages 23 to 31 form part of these accounts.
The report of the auditors is on page 17.

Balance Sheet 31 March 1977

CHARTER CONSOLIDATED LIMITED

	1977 £000	1977 £000	1976 £000	1976 £000
Subsidiary companies				
Shares at cost or valuation	93,779		93,779	
Add:				
Amounts due from subsidiaries	4,050		65,402	
	97,829		159,181	
Deduct:				
Amounts due to subsidiaries	38,212	59,617	100,298	58,883
Deferred asset				
Advance corporation tax *(note 18)*		2,642		2,402
Current asset				
Bank balances		2		4
		62,261		61,289
Financed by:				
Share capital *(note 14)*		26,202		26,202
Share premium account *(note 15)*		18,636		18,629
Reserves *(note 17)*		9,058		8,047
Total capital and reserves		53,896		52,878
Long term indebtedness *(note 16)*		2,350		2,357
Current liabilities				
Creditors	68		64	
Taxation	1,040		1,529	
Proposed final dividend	4,907		4,461	
		6,015		6,054
		62,261		61,289

M. B. HOFMEYR } *Directors*
B. W. PAIN }

The accounting policies on pages 18 and 19 and the notes on pages 23 to 31 form part of these accounts.
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Charter Consolidated Limited

Annual Report and Accounts

For the year ended 31 March 1977

Contents

Notice of Meeting

NOTICE IS HEREBY GIVEN that the twelfth annual general meeting of members of Charter Consolidated Limited will be held at Winchester House, 100 Old Broad Street, London EC2N 1BU, on Tuesday 19 July 1977 at 12 noon for the following purposes:

1. To consider the accounts and the report of the directors for the year to 31 March 1977.
2. To declare a final dividend.
3. To reappoint as directors Mr G. W. H. Relly, Mr H. R. Fraser, Mr P. C. D. Burnell, and Mr H. F. Oppenheimer.
4. To reappoint Coopers & Lybrand and Deloitte & Co. as joint auditors and authorize the board to fix their remuneration.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company. A form of proxy accompanies this notice.

by order of the board
D. S. BOOTH
secretary

40 Holborn Viaduct
London EC1P 1AJ

23 June 1977

NOTES

1. Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the relevant conditions governing share warrants to bearer (see page 48).
2. Holders of loan stock are reminded that only shareholders are entitled to attend and vote at the meeting.
3. To be valid the form of proxy must reach the company at PO Box 102, Charter House, Park Street, Ashford, Kent TN23 2BR, not less than 48 hours before the meeting.
4. There are no directors' service contracts required by The Stock Exchange to be made available for inspection at the meeting.

Directorate and Administration

Chairman and Managing Director
M. B. Hofmeyr

Deputy Chairman
Sir Philip Oppenheimer

Directors
P. C. D. Burnell
G. A. Carey-Smith
J. N. Clarke
J. E. H. Collins, MBE, DSC
R. H. Dent
H. R. Fraser
J. O. Hambro, MC
H. F. Oppenheimer
B. W. Pain
G. W. H. Relly
J. G. Richardson
S. Spiro, MC
L. G. Stopford Sackville
H. J. Stucke
M. W. Thomas
J. Ogilvie Thompson
W. D. Wilson

Alternate Directors
R. J. Armitage
F. J. A. Howard
A. E. Oppenheimer
A. J. W. Owston

Executive Committee
M. B. Hofmeyr
Sir Philip Oppenheimer
J. N. Clarke
B. W. Pain
J. G. Richardson
L. G. Stopford Sackville

Managers
R. J. Armitage
P. C. D. Burnell
F. J. A. Howard
A. J. W. Owston

Secretary
D. S. Booth

Chief Accountant
R. H. T. Dawkins

Administrative Manager
J. A. Pool

Chief Economist
L. L. C. Smets

Personnel Consultant
R. D. McVean

Public Relations Consultant
H. E. O. Ellison

Director responsible for technical services
H. J. Stucke

Consulting Engineers
J. V. Cleasby
A. Smith

Consulting Geologist
Dr J. F. Osten

Consulting Mechanical and Electrical Engineers
A. H. W. Purkiss
S. Sheer

Consulting Metallurgist
I. R. M. Chaston

Report of the Directors

The directors have pleasure in submitting their twelfth annual report, with the audited accounts, for the year ended 31 March 1977. The company's operations during the year are dealt with by the chairman in his review on pages 7 to 13.

Financial results

The following are the major features of the consolidated profit and loss account:

	1977 £000	1976 £000
Consolidated profit before taxation	38,731	36,437
Deduct:		
Taxation	18,693	14,666
Interest of outside shareholders	2,597	2,382
	21,290	17,048
Earnings attributable	17,441	19,389
Dividends:		
Interim of 2.75p per share paid on 3 January 1977	2,882	2,620
Recommended final of 4.68242p per share payable on or about 22 July 1977	4,907	4,461
	7,789	7,081
Profit for the year retained	9,652	12,308
Extraordinary items	(9,384)	(2,775)
Transfer to reserves	268	9,533

Earnings per share, after taxation and prior to extraordinary items, were 16.64p, compared with 18.50p in the year to 31 March 1976.

The board has recommended a final dividend of 4.68242p per share, to make a total dividend for the year of 7.43242p per share. The final and interim dividends, together with the tax credit of 4.00208p per share, represent the maximum distribution which is permitted under the counter-inflation legislation. If the foreshadowed change in the rate of tax credit from 35/65ths to 33/67ths takes place, the final dividend would stand increased by 0.14408p per share and the tax credit correspondingly reduced. Arrangements for payment of the additional amount of dividend would be announced in the press as soon as practicable. This adjustment would increase the cost of the dividend shown in the accounts by £151,000 to £5,058,000.

Directorate

A list of the directors of the company appears on page 3.

Mr J. Ogilvie Thompson was appointed to the board on 22 April 1976, and Mr F. S. Berning resigned as a director on 31 December 1976. Mr S. Spiro relinquished the chairmanship of the company on 31 July 1976, while remaining a non-executive director, and Mr M. B. Hofmeyr was elected in his place from 1 August 1976, retaining his position as managing director.

In accordance with the company's articles of association, Mr S. Spiro retires by rotation at the forthcoming annual general meeting and does not wish to be reappointed. Mr G. W. H. Relly, Mr H. R. Fraser, Mr P. C. D. Burnell, and Mr H. F. Oppenheimer retire by rotation and offer themselves for reappointment.

Inflation accounting

The directors consider that the adoption of a form of current cost accounting is appropriate under conditions of inflation. However, considerable controversy has arisen over certain proposals contained in the exposure draft (ED18) published following the Sandilands committee report on inflation accounting, and until such time as the application of the principles of current cost accounting have been established it is considered that it would not be meaningful to attempt to provide an indication of Charter's results based on this method of accounting.

General information

The book value of the group's fixed assets increased from £47,353,000 to £54,199,000 during the year. Details are shown on page 27 in note 10 on the accounts. Movements on reserves are shown in the consolidated profit and loss account on page 20 and in note 17 on the accounts on page 31.

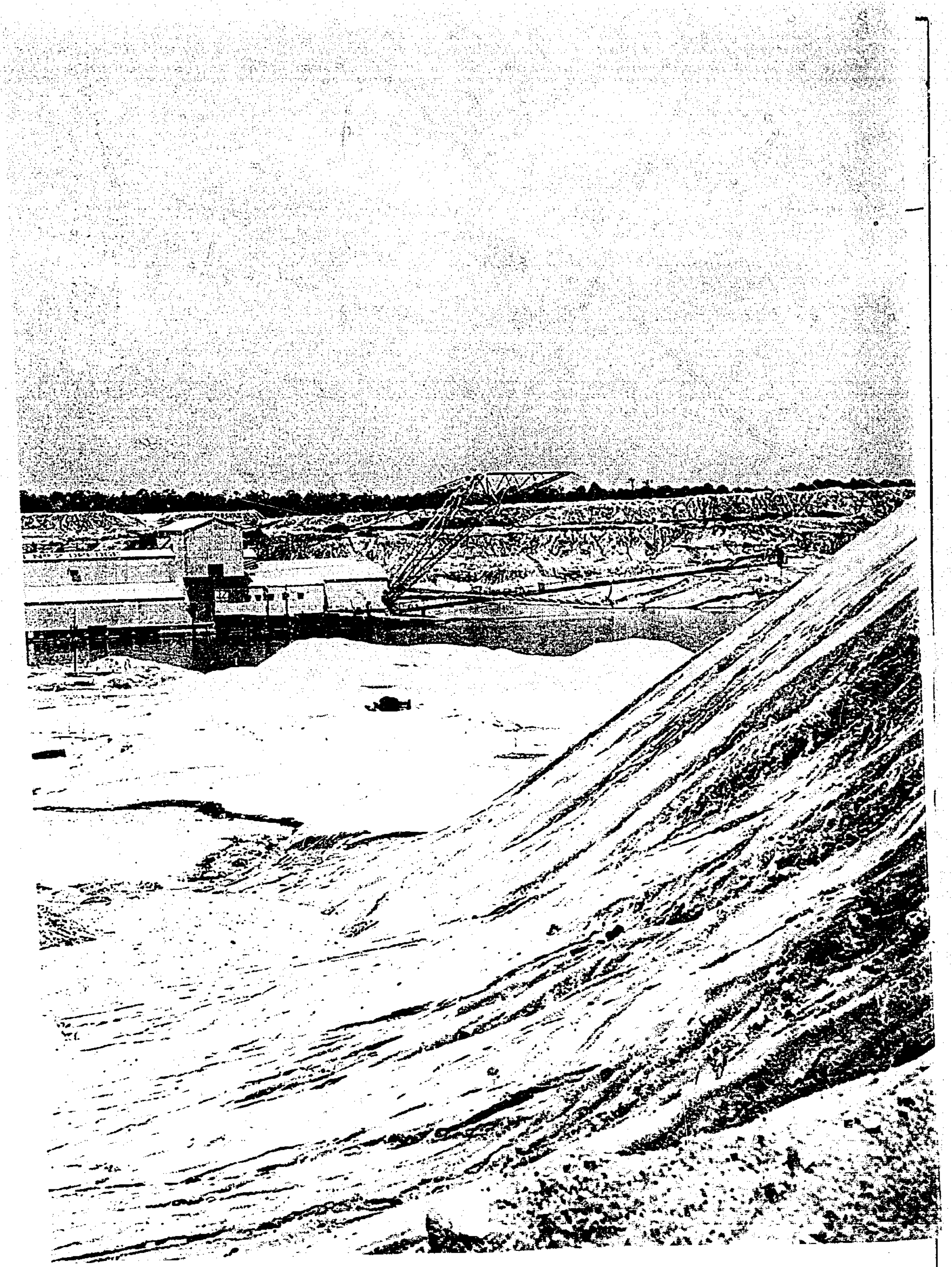
During the year the company issued 1,800 fully paid shares of 25p each against conversion of £7,499 five per cent convertible unsecured loan stock 1984. The issued share capital was thereby increased to £26,201,960.25 in 104,794,781 fully paid shares of 25p each and 326,500 partly paid shares of 25p each (1p paid up).

An analysis of assets and income appears on page 37. Other particulars which constitute part of this report are given on page 47, and a list of subsidiary companies on page 36.

by order of the board
D. S. BOOTH
secretary

40 Holborn Viaduct
London EC1P 1AJ

9 June 1977



Review by the Chairman

Financial results

The consolidated profit before tax was £38.7 million, compared with £36.4 million last year. However, substantially increased tax charges resulted in net earnings falling from £19.4 million (equivalent to 18.50p per share) to £17.4 million (equivalent to 16.64p per share).

The appreciably lower gold price led to reduced dividends from our direct gold mining interests, but these were offset by increased dividends from Anglo American Corporation of South Africa and from the diamond interests held mainly through Anglo American Investment Trust. Increased dividend income was also received from our Malaysian tin mining interests and from Beralt Tin and Wolfram as a result of the higher tin and wolfram prices, and these were also reflected in an increase in Charter's share of the retained earnings of associated companies. I refer later to the continued absence of income from the Zambian copper mining interests held through Minerals and Resources Corporation (MINORCO).

Profits on the realization of investments were of a similar order to last year's, allowing for the contribution which arose in 1975-6 from the placing of Rio Tinto-Zinc Corporation shares. We have this year included under this heading the effect of currency differences resulting from the conversion of foreign currency loans financing portfolio investments, which in previous years had been included in extraordinary items. The comparative figures for last year have been adjusted to bring them into line with this new practice.

The industrial subsidiaries achieved most satisfactory performances, and these are reflected in the increase in trading profits from £14.6 million to £18.9 million. After a record year in 1975 Cape Industries made a further substantial advance, and the Elastic Rail Spike and Heatrae-Sadia groups both achieved higher profits.

The net charge in respect of administration and technical expenditure rose sharply. Measures were taken last year to reduce the overall level of costs, but the considerable savings achieved only partially offset the reduction which has taken place in fees earned from projects and clients and the serious impact of the high rate of inflation.

The tax charge was very much higher at £18.7 million, compared with £14.7 million last year. Greatly increased tax charges were borne by the Canadian associated companies, and Cape Industries suffered higher South African tax. Included in the tax charge was an amount for deferred taxation of £4.4 million. Charter continued to follow the principles for deferred taxation set out in the recently withdrawn 'Statement of Standard Accounting Practice' but will review its accounting policy in this regard during the current year following the evolution of accepted practice.

We have made a further provision, under extraordinary items, of £7.9 million against the investment in the Société Minière de Tenke-Fungurume (SMTF) copper/cobalt project in Zaire. Including demobilization costs, our investment in SMTF amounted to £24.2 million. A provision of £14.6 million was made last year, and we are now reducing the figure at which the investment is held in our books to £1.7 million (US$3.0 million).

During the year the Indonesian government unilaterally required Trend International to renegotiate its oil production sharing contract, and subsequently a full reassessment of the available reserves of Trend was carried out. In the light of this a substantial reduction was made in the valuation of Trend in the books of our associates MINORCO and Anglo American Corporation of Canada (AMCAN). Our share of this amounted to £4.5 million. These write-downs, together with certain other smaller items and the effect of currency realignment on conversion of the group equity interest in associated companies into sterling, resulted in a deficit under extraordinary items of £9.4 million.

At 31 March 1977 the value of Charter's net assets adjusted for the market and directors' value of investments was £267.3 million, equivalent to 255p per share, compared with £271.4 million, equivalent to 259p per share, at 31 March 1976.

The number 2 dredge at Ayer Hitam tin mine in Selangor state, Malaysia

Mining

CLEVELAND POTASH

At the Cleveland Potash mine at Boulby, Cleveland, work on refurbishing and rehabilitating the service shaft was finished in March 1977. This substantially completed the initial construction of the mine, and both shafts are now fully available to develop production operations.

The main objectives over the past year have been to increase the number of mining faces; to adapt the conventional mining techniques, which entail blasting, to deal with the difficult geological conditions; and to introduce continuous mining machines, which mine by cutting the rock and have a higher production potential.

The development of new mining areas has been impeded by a relatively steeply inclined section of the seam south of the shaft pillar, and in addition the ore in the available mining areas contained large quantities of insoluble materials with resulting poor recoveries in the treatment plant. Although production has shown some improvement in recent months, the current level of some 14,000 tonnes of product per month represents less than 20 per cent of design capacity.

On the other hand, the adaptation of conventional mining techniques and the introduction of three continuous mining machines have produced encouraging results, and in addition a novel technique of long hole horizontal drilling has been introduced which probes up to 1,000 metres ahead of the current workings. This is proving to be valuable by providing advance information on the elevation, thickness, and quality of the seam on which future mining operations can be planned.

The delay in the build-up of production has necessitated additional finance to meet development expenditure and operating deficits, and it has been agreed in principle, subject to review, to make available to the project in 1977 a further sum of up to £20 million, of which Charter's share is £7.5 million.

Potash prices have continued to be weak, with substantial stocks overhanging the world market, but there are prospects of improvement towards the end of this year and in 1978.

MALAYSIA

Our partnership with the Malaysian federal government agency, Pernas Securities, has been established by the exchange of Charter's Malaysian tin mining interests for a 28.6 per cent holding in New Tradewinds, the balance of the capital being held by Pernas Securities. New Tradewinds has also acquired the entire share capital of London Tin Corporation.

A new management company owned jointly by Pernas Securities and Charter, Pernas Charter Management, has been established to provide technical and management services to the mines in the New Tradewinds group and will absorb the businesses and personnel of the management companies of the Tronoh and London Tin groups.

The new group, which forms the largest tin mining group in the world, has interests in 18 tin mining companies, predominantly in Malaysia but with some investments in Thailand and Nigeria. The group produced 27,322 tonnes of 70-75 per cent tin concentrate in 1976, representing approximately 11.5 per cent of world production.

The operating companies of the group generally achieved higher profits as a result of the improved price for tin which rose from an average of £3,090 per tonne in 1975 to £4,242 per tonne in 1976. Prices continued to increase during 1977 and stood at £5,566 per tonne on 11 June.

Efforts in the field of future development are being concentrated on two projects in Malaysia, prospect 139 in Perak state, which is a proven new dredging operation, and a joint venture in Selangor state which shows considerable promise. Development work on the latter was held up initially because of the failure by the Selangor State Development Corporation to contribute its share of prospecting and development expenditure, but further discussions are currently taking place and it is hoped that work on development can recommence without undue delay.

TENKE–FUNGURUME

Last year we referred to the suspension of development work on the Société Minière de Tenke-Fungurume (SMTF) project in January 1976. At that time we hoped that the depressed copper price and the unfavourable economic and political conditions affecting the world in general and Zaire in particular, which made it impossible to finance the project, would show some improvement during the latter half of 1976. However, the outlook for metal prices remains uncertain, and this, combined with further problems in Angola and central Africa and the continuing effects of a world recession, has not eased the financing problems.

Over the past year the care and maintenance of the property has been provided for out of the proceeds of equipment sales, and in addition much effort has gone into further feasibility studies based on various production levels. While the quality of the orebody and its amenability to treatment remain unquestioned, the continuing escalation in capital costs and the unsatisfactory climate for raising finance must cause grave doubts about the possibility of reactivating the project for some years. In the circumstances, we have decided to make the further provision of £7.9 million against our investment.

BERALT AND ANGLADE

Market prices for wolfram concentrates rose substantially during 1976, with the result that Beralt Tin and Wolfram, in which Charter has a 46.3 per cent interest, had a successful year despite a decline in the volume of concentrates produced and sold by the Portuguese operating company. Profit before tax amounted to £2.6 million, compared with £1.4 million in 1975. Production of wolfram concentrates amounted to 1,597 tonnes in 1976, compared with 1,742 tonnes in the previous year.

Studies are being made of the possibility of establishing new plant and equipment in Portugal for beneficiating the wolfram concentrates into upgraded tungsten products. As part of a major development plan to secure the future of the mine, work has also commenced on the installation of an incline shaft to open up a new lower level to rock hoisting and man transport.

The improved tungsten price also helped Société Minière d'Anglade, in which Charter has a 25 per cent interest. Production at the company's scheelite mine in the Pyrenees increased to 1,573 tonnes of concentrates containing 673 tonnes of wolfram, and trading profits amounted to £1.6 million before tax and depreciation. These results have enabled Anglade to repay all its debts and shareholders' advances other than long term liabilities during the year and to declare a maiden dividend of FF15 per share. A new orebody blocked out during the year has increased the life of the mine to at least five years, at the present production rate and increased average grade of reserves.

TARA

Charter holds 10.8 per cent of Tara Exploration and Development Company which through its subsidiary Tara Mines is bringing to completion the development of a lead/zinc mine at Navan in the Republic of Ireland. The capital cost has been held within the budget of US$150 million, and production commenced this month. The mine and concentrator are designed to produce about 500,000 short tons of lead and zinc concentrates annually from 2.5 million tons of ore. At current price levels the contribution to revenue by zinc and lead would be in the ratio of five to one.

Tara, which has contracted to supply a substantial part of its concentrates to European smelters, will become an important source of zinc. There is every cause to believe that it will be a most successful mine given reasonable price levels for zinc and lead.

EXPLORATION

We have maintained our base metal exploration programmes in Ireland and Spain where a number of lead/zinc prospects are being drilled.

Charter continued to participate in exploration campaigns in Australia and Brazil through its interests in Australian Anglo American and in Anglo American Corporation do Brasil (AMBRAS). The Australian programme includes activity in Tasmania, New Zealand, Papua New Guinea, and Fiji, as well as Australia. In Western Australia, evaluation continues of possibly economic copper/nickel mineralization at Sally Malay. In Fiji further drilling is planned in 1977 at the promising Namosi copper prospect which is being investigated in a joint venture with Amax Inc. and Preussag AG.

The main prospecting interest in Brazil centres on the Jacobina gold prospect, in Bahia state, where diamond drilling and adit development have delineated significant medium grade reserves of ore. AMBRAS has a 49 per cent interest in the group of gold mines owned by Mineração Morro Velho which had a difficult year as a result of low grades of ore recovered and high inflation in Brazil.

In the fifth round of United Kingdom North Sea exploration licences a five-company group which includes Charter has been provisionally awarded two contiguous blocks – 14/16 and

14/17 in the Moray Firth area. Charter's interest in the blocks will be 8.2 per cent after 51 per cent participation by the British National Oil Corporation which will be operator for the group.

Industrial

CAPE INDUSTRIES

Our principal industrial subsidiary, Cape Industries, had another successful year in 1976, with turnover rising by 24 per cent to £133.1 million and pre-tax profit by 39 per cent from £10.2 million to £14.2 million. Currency gains accounted for £1.5 million of the year's profit.

The mining division again performed exceptionally well, producing a 44 per cent gain in trading profits, though demand for amosite fibre weakened towards the end of the year. Prospects for the current year depend to a great extent on the activity in the construction industry throughout the world. In the automotive and engineering division, trading profits rose by 33 per cent, mainly due to a sharp increase in exports. Although there are continuing difficulties in the United Kingdom economy, the export market remains buoyant, and prospects for increased sales and profits in 1977 are good. The building and insulation companies achieved a 16 per cent increase in profits, virtually all of this arising from the insulation contracting operations. This was a satisfactory performance against a background of depressed conditions in the United Kingdom construction industry.

Capital spending in 1977 is again expected to be heavy, requiring some £14 million. This will be met out of cash flow and borrowing resources at present unutilized.

Last year reference was made to the health hazards associated with the use of asbestos. Since then the Advisory Committee on Asbestos has been set up and has published an interim statement. Cape has given written evidence to the committee and will cooperate with it to the full. At the same time, through the Asbestosis Research Council, research into the causes and prevention of industrial disease continues.

ERS AND HEATRAE-SADIA

In a year of uncertain economic conditions, which inevitably affected United Kingdom markets, the Elastic Rail Spike (ERS) and Heatrae-Sadia groups (both wholly owned by Charter) have made solid progress, and it is particularly encouraging that their efforts to increase exports are producing satisfactory results.

Trading profits of ERS increased from £1.6 million to £1.8 million. In the United Kingdom the home market for railway track fastenings continued at the lower level experienced in 1975. Export business was sustained by deliveries of the Pandrol rail fastening assembly, not only to traditional users abroad but also to new markets in Peru, Spain, Taiwan, the United States, and Yugoslavia.

Pandrol, a wholly owned subsidiary, is to be congratulated on receiving in April the Queen's Award for Export Achievement.

Torque Tension, which is concerned with mine roof bolting systems, made a much improved contribution to ERS group profits.

Heatrae-Sadia group increased sales by 23 per cent and trading profits from £0.6 million to £0.9 million. After two years of decline, a very satisfactory increase in the volume of sales was achieved in markets which continued to be weak and unpredictable throughout the year. Export business has now reached a firm base from which progress in the future will be more rapid.

Associated companies

MINORCO

Minerals and Resources Corporation (MINORCO), in which we have a 20 per cent interest, had a disappointing financial year to 30 June 1976, with consolidated net profits declining by 33 per cent to US$6.9 million. Although record results were again achieved by Engelhard Minerals & Chemicals Corporation (EMC), in which MINORCO has a 30 per cent holding, adverse developments affected its oil interests held through Trend International, and due to the low copper price no dividends were declared by the Zambian copper mining companies.

EMC's excellent profit growth has continued in the face of stagnant world trading conditions, and net earnings rose by US$10.2 million to US$124.9 million during the year to 31 December 1976.

Trend International, in which MINORCO has a 43 per cent interest, is engaged in the production of crude oil in Indonesia through a joint venture operating under a production sharing contract with the Indonesian state oil agency, Pertamina. Trend also holds producing

Stainless steel clad insulation installed by Cape Contracts Limited on plant and pipework for machine modules destined for an offshore oil production platform and non-producing properties in the United States and Canada. In 1976 the Indonesian government required a renegotiation of the production sharing agreement increasing the government's share to 85 per cent, together with other significant modifications. In the light of production problems encountered and the changed economics arising from the revised production sharing contract it has been necessary to reduce the estimated recoverable reserves, and it has accordingly been deemed wise by MINORCO and AMCAN to write down substantially the book value of their direct and indirect investments in this company.

Zambia Copper Investments (ZCI), in which MINORCO has a 49.9 per cent interest, made a loss of US$0.3 million during the year to 30 June 1976 as a result of the absence of dividend income from its principal copper producing investments, Nchanga Consolidated Copper Mines and Roan Consolidated Mines. Furthermore, the 20 per cent devaluation of the Zambian kwacha against the United States dollar on 9 July 1976 had the effect of reducing from US$10.6 million to US$8.4 million the dollar value of dividends due to ZCI but awaiting externalization permission from the Bank of Zambia.

The United States company Inspiration Consolidated Copper Company, in which MINORCO has a 15 per cent interest, produced net earnings for 1976 of US$126,000, compared with a net loss of US$3.9 million in the previous year.

AMCAN

The major asset of Anglo American Corporation of Canada (AMCAN), in which Charter has a 24.8 per cent interest, is a 38 per cent holding in Hudson Bay Mining and Smelting Co. (HUDBAY), a diversified natural resource company. HUDBAY reported net earnings before extraordinary items of C$2.8 million, compared with C$14.8 million in 1975. This decline was mainly attributable to continuing weak markets for metals and exceptionally high levels of taxation on potash mining. In April this year HUDBAY sold its potash assets to the Saskatchewan government body for C$144 million in cash excluding certain liquid and marketing assets. Lower fertilizer prices in the United States led to a fall in the profits of HUDBAY's 51 per cent subsidiary Terra Chemicals International from US$18.6 million in 1975 to US$12.0 million last year. The decision to write down the investment in Trend International led to an extraordinary charge for HUDBAY of C$10.8 million, and a provision of C$3.3 million was made against its investment in the La Verde copper project in Mexico. These charges were partially offset by the gain after taxes of C$3.0 million on the sale of Western Decalta, with the result that HUDBAY's loss for the year after extraordinary items of C$11.1 million amounted to C$8.3 million.

Outlook

Despite the continuing depressed markets for most metals and minerals, and for copper in particular, Charter in the past year has been able to increase its profits before tax. This is attributable to the broad spread of our investments and to the success of our industrial operations, both of which are encouraging aspects for the future. In particular, the major developments now in progress within the Anglo American Corporation group, especially in the fields of uranium and coal in South Africa, are of considerable importance to us.

The outlook for Charter, however, has to be seen against the background of the general business climate for the mining finance industry as a whole, which in turn is inevitably dominated by the level of metal prices under the influence of the continuing sluggish process of world-wide economic recovery and the very large metal stocks overhanging the market.

These low metal prices, the absence of an overall mood of business confidence, and the potentially high political risk involved in mining investment, particularly in the less developed areas of the world, have combined for the time being to produce stagnation during a period when in fact a high level of investment is required if world metal needs are to be met in the medium to long term. The result is that the skills, experience, and technical resources available to the mining industry are under-employed when, in contrast, work should now already be in progress on preliminary development of many significant known mineral deposits.

The potential longer term dangers of the present trends are all too obvious, both for the less developed countries in terms of mineral resources left undeveloped and for the industrialized nations in terms of future raw material shortages and exorbitant prices.

We believe, however, that this situation cannot last. There has been for some considerable time an enormous, unprecedented gap between current price levels and the prices required to open new mines. Copper is a typical example in that all known undeveloped deposits require prices at least 50 per cent above the current level to make them viable. As the prospect of future shortages becomes more certain, this gap must close. No doubt prices will continue to be volatile, but the trend will be upwards, and Charter will, in due course, participate in this recovery in terms both of its activities and of its earnings. We have certainly had more than our fair share of the problems faced by the mining industry over the past few years, but with our considerable technical resources, our strong asset base, and our investments across the whole range of mining, notably those held through associated companies, covering operations in Europe, Malaysia, central and southern Africa, and North America, we are very well placed to participate in the opportunities which lie ahead.

Meanwhile the prospects for our industrial interests are good and, although it will be difficult to maintain the rate of growth of the past few years, we can certainly expect a steady overall improvement. Despite the continuing uncertainties surrounding British industry we believe there are opportunities for Charter to enlarge its industrial base, and steps are being taken to accomplish this by promoting the expansion of our existing industrial companies. Active consideration is also being given to our entering new sectors of industry in the United Kingdom, and if this bears fruit the company will in addition achieve a better balance between United Kingdom earnings and its income from mining which arises largely overseas, with consequent financial and tax advantages.

Directorate and personnel

In accepting the implications of the government's pay restraints over the past two years, the company and its employees have had to face considerable difficulties. I am most grateful to all our employees for the understanding they have shown in these circumstances and for their continuing loyalty and dedication to the company. It is to be hoped that the next phase of pay restraint will give sufficient attention to the need to restore differentials and to provide appropriate incentives at all levels.

Mr Sidney Spiro, who served the company as deputy chairman and managing director and subsequently as chairman over the period 1969 to 1976, has indicated his wish to retire from the board at the forthcoming annual general meeting. I would like to express to him my gratitude and that of the board for the great contribution he has made to the affairs of the company and particularly in the extremely trying circumstances of the past few years. He has done most valuable work in immensely difficult times and we wish him all success for the future.

During the year Mr F.S. Berning resigned from the board for personal reasons and I should also like to express to him our appreciation of his services and good wishes for the future.

M. B. HOFMEYR
Chairman

14 June 1977

Ten Year Financial Record Charter Consolidated Limited and its subsidiary companies

		1977 £000
Earnings *(year to 31 March)*	Income from investments	18,581
	Surplus on realizations	2,375‡
	Interest receivable less payable	(3,031)
	Trading profit	18,936
		36,861
	Deduct:	
	Administration and technical expenditure	3,674
	Prospecting expenditure*	825
		4,499
		32,362
	Add: Group share of retained profits less losses of associated companies*	6,369
	Profit before taxation	38,731
	Deduct: Taxation	18,693
		20,038
	Deduct: Amount attributable to outside shareholders and pre-acquisition	2,597
	Earnings attributable	17,441
	Deduct: Dividends paid	7,789
		9,652
	Earnings per share	**16.64p‡**
	Dividends per share	7.43p†
	Imputed tax credit per share**	4.00p†
		11.43p†
Net assets *(at 31 March)*	Investments at market value or directors' valuation	252,792
	Investments at book value	195,969
	Fixed assets	54,199
	Exploration and development expenditure*	601
	Net current assets	37,755
		288,524
	Deduct: Capital expenditure grants, minority interest, long term indebtedness, and deferred taxation	78,026
	Total capital and reserves	210,498
	Add: Surplus of market value or directors' valuation of investments over book value	56,823
	Total net assets	267,321
	Net assets per share	**255p**
Issued share capital *(at 31 March)*		26,202

‡*reflects change in accounting policy for foreign currencies*

**items introduced in 1972 resulting from new accounting policies*

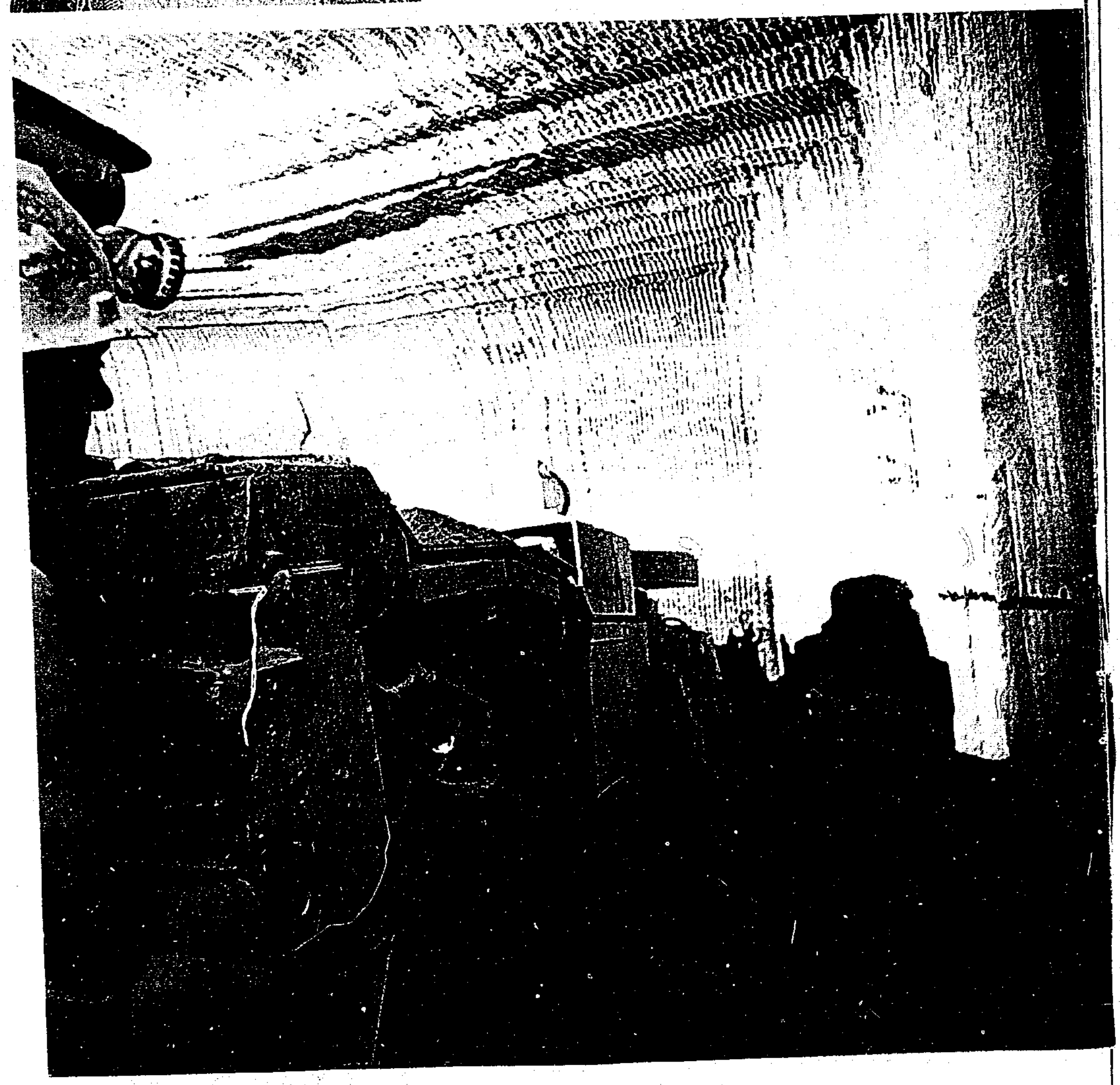
1976 £000	1975 £000	1974 £000	1973 £000	1972 £000	1971 £000	1970 £000	1969 £000	1968 £000
18,220	17,699	13,254	10,440	10,441	14,372	10,705	9,578	8,972
6,078‡	2,124	4,309	4,034	3,445	1,104	5,343	3,041	2,253
(2,910)	(758)	327	(129)	222	(15)	(511)	125	539
14,566	6,566	7,198	5,716	4,442	3,704	4,499	839	871
35,954	25,631	25,088	20,061	18,550	19,165	20,036	13,583	12,635
2,127	1,497	1,295	944	901	999	1,237	1,349	1,283
1,053	2,163	919	602	778	769	—	—	—
3,180	3,660	2,214	1,546	1,679	1,768	1,237	1,349	1,283
32,774	21,971	22,874	18,515	16,871	17,397	18,799	12,234	11,352
3,663	5,965	3,109	(1,137)	774	2,803	—	—	—
36,437	27,936	25,983	17,378	17,645	20,200	18,799	12,234	11,352
14,666	9,869	9,076	3,832	3,036	3,276	4,772	2,114	1,649
21,771	18,067	16,907	13,546	14,609	16,924	14,027	10,120	9,703
2,382	861	1,016	1,103	673	556	1,029	—	—
19,389	17,206	15,891	12,443	13,936	16,368	12,998	10,120	9,703
7,081	6,507	5,987	6,654	8,383	8,381	7,422	6,522	6,522
12,308	10,699	9,904	5,789	5,553	7,987	5,576	3,598	3,181
18.50p‡	**16.42p**	**15.16p**	**11.87p**	**13.30p**	**15.84p††**	**13.13p**	**10.34p**	**9.92p**
6.76p†	6.21p†	5.71p†	6.35p	8.00p	8.00p	7.50p	6.66p	6.66p
3.64p†	3.24p†	2.69p†	1.65p	—	—	—	—	—
10.40p†	9.45p†	8.40p†	8.00p	8.00p	8.00p	7.50p	6.66p	6.66p
255,606	303,863	351,347	324,189	272,637	266,785	325,959	383,226	268,929
196,151	199,393	184,410	178,597	150,413	143,559	138,388	141,547	123,723
47,353	36,668	30,075	23,640	22,000	21,556	19,578	3,315	3,015
657	4,442	4,069	2,250	759	—	—	—	—
34,765	9,269	24,531	27,177	34,425	37,760	17,969	5,424	3,986
278,926	249,772	243,085	231,664	207,597	202,875	175,935	150,286	130,724
66,981	52,222	48,189	46,951	35,234	35,175	33,969	14,991	1,125
211,945	197,550	194,896	184,713	172,363	167,700	141,966	135,295	129,599
59,455	104,470	166,937	145,592	122,224	123,226	187,571	241,679	145,206
271,400	302,020	361,833	330,305	294,587	290,926	329,537	376,974	274,805
259p	**288p**	**345p**	**315p**	**281p**	**277p**	**333p**	**385p**	**280p**
26,202	26,201	26,201	26,200	26,199	26,194	24,738	24,458	24,458

***items included for the first time in 1973 on the introduction of the imputation tax system*

†to two decimal places

††earnings recalculated on revised figures resulting from new accounting policies

One of two Helminers – continuous mining machines – in operation at the Boulby mine of Cleveland Potash (below). The machine cuts the rock using picks on a rotating horizontal drum (left).



Accounts

Report of the Auditors to the Members

We report on the accounts set out on pages 18 to 32 and 34 to 36. These have been prepared on the historical cost basis of accounting except for certain assets included at revaluation.

Included in investments in the consolidated balance sheet is an investment in Société Minière de Tenke-Fungurume (SMTF) at an amount of £1.7 million. As stated in note 4(i) on page 24, development of this project remains suspended and as a result the directors have considered it prudent to provide a further £7.9 million against the cost of the investment, resulting in a total provision of £22.5 million. In the present circumstances it is not possible for us to assess whether the amounts provided are adequate or excessive and therefore whether the investment in SMTF is fairly stated at £1.7 million.

With this reservation, in our opinion, the accounts give, on the basis of accounting described above, a true and fair view of the state of affairs at 31 March 1977 and of the profit and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

COOPERS & LYBRAND
DELOITTE & CO.

Chartered Accountants

London, 9 June 1977

Accounting Policies

1. Basis of consolidation

(i) The accounts are prepared on the historical cost basis of accounting except for certain assets included at revaluation.

(ii) In order to facilitate administration, the financial years of Cape Industries Limited and its subsidiaries and those of the other group manufacturing subsidiaries terminate on 31 December.

(iii) The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from their effective dates of acquisition.

2. Foreign currencies

(i) Profit and loss items, assets, and liabilities are converted into sterling at the rates of exchange ruling at the dates of the respective balance sheets.

(ii) Differences arising from the conversion into sterling of foreign currency loans financing foreign portfolio investments are included with the sterling profits less losses arising on the realization of those investments. In accordance with policy 4 these differences and the profits less losses arising from the realizations of foreign portfolio investments are included in the profit and loss account as surplus on realizations of investments. Previously such differences were dealt with as extraordinary items.

The comparative figures for 1976 have been restated to reflect this change in policy and accordingly a loss of £854,000 has been transferred from extraordinary items to surplus on realizations of investments.

(iii) Differences arising from the conversion into sterling of all other foreign currency items are shown as an extraordinary item in the profit and loss account.

3. Income received

Income from investments, including where applicable the imputed tax credit, is accounted for on a received basis.

4. Investments

(i) Investments have been classified into portfolio, which includes investments in prospecting companies, and long term holdings. The latter are deemed to be long term when they are considered to be of strategic importance to the group and as such are held with no intention of resale. If, due to changed circumstances, long term investments cease to be of strategic importance they are reclassified as portfolio investments.

(ii) Profits less losses arising on disposal of portfolio investments are included in the profit and loss account as surplus on realizations of investments. Any profits and losses arising from the disposal of long term investments are dealt with as extraordinary items in the profit and loss account.

(iii) Investments are included at cost unless the aggregate of market value and directors' valuation is less than book value or when, in the opinion of the directors, a permanent loss in value has arisen on any investment. The diminution in value of long term investments is charged as an extraordinary item in the profit and loss account.

5. Turnover

Turnover is the invoiced value of sales and excludes both transactions between group companies and sales turnover taxes.

6. Capital expenditure grants

Grants in respect of capital expenditure are credited to profit and loss account over the estimated average life of the relevant fixed assets. Grants shown in the consolidated balance sheet represent total grants to date less the amount credited to profit and loss account.

7. Depreciation

Fixed assets are written off evenly over their expected useful lives, with the exception that no depreciation has been provided on freehold land.

The following rates are normally applied:
Freehold buildings – 2 per cent per annum
Leasehold property – the period of the lease or 2 per cent per annum for leases in excess of 50 years
Plant, furniture, and fittings – 10 to 20 per cent per annum
Motor vehicles – 25 per cent per annum.

Depreciation on assets qualifying for capital expenditure grants is calculated on their full cost (see policy 6).

8. Technical development expenditure

Group expenditure on research and development, patents, and trade marks is written off when incurred.

9. Deferred taxation

Provision is made under the liability method for United Kingdom corporation tax and overseas taxation at the appropriate rates on the differences between the amounts at which certain items are included in the consolidated balance sheet and the amounts at which they will rank for taxation relief in the future.

Advance corporation tax on dividends payable after the balance sheet date is deducted from deferred taxation.

10. Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realizable value. Long term contract work in progress is valued at cost less foreseeable losses and progress payments received and receivable. Profits on such contracts cannot be assessed with reasonable certainty before the completion of the contract and are therefore taken on completion. Cost includes expenditure which is incurred in the normal course of business in bringing the product or service to its present location and condition. Net realizable value is the estimated selling price less all costs to be incurred.

11. Prospecting, exploration, and development expenditure

Group expenditure on prospecting and on exploration and development is dealt with as follows:

(i) Expenditure to develop existing mining areas:
The expenditure is considered a part of the general development of the mine and is written off to mine operating costs in the year incurred which are reflected in trading profit in the profit and loss account.

(ii) Expenditure on general prospecting:
Expenditure during the initial exploration stage is written off in full in the profit and loss account of the year. Further expenditure on prospects which, after the initial stage, appear promising is carried forward as an asset in the consolidated balance sheet under the heading of exploration and development expenditure while an evaluation is carried out to establish its commercial viability. In the event that any prospect is abandoned after such evaluation, the total expenditure is charged as an extraordinary item in the profit and loss account.

(iii) Expenditure on development of new mines:
When it is decided to develop a prospect into a mine, any exploration and development expenditure relating thereto is capitalized as an investment or fixed asset. All further expenditure on development of the mine is capitalized. If any project has to be abandoned in the development stage the total expenditure is charged as an extraordinary item in the profit and loss account.

12. Associated companies

Associated companies are:
(i) those in which the group owns 20 per cent or more of the issued equity capital, or
(ii) those in which the group's investment is effectively that of a partner in a joint venture or consortium, or
(iii) mining companies managed by the group in which it also has a significant holding
and in which the group exercises a significant influence over management and participates in the commercial and financial policy decisions of the companies concerned.

Certain other companies in which the group owns 20 per cent or more of the issued equity capital are not considered to be associated companies as the group does not exercise a significant influence over their management. These companies are identified in the list of principal investments of 10 per cent or more on pages 34 and 35.

Mine development costs of companies in the course of developing mines, including costs charged to revenue by those companies, are not accounted for in the profit and loss account.

The group accounts for its share of associated company profits less losses as follows:

(i) Dividends from associated companies are accounted for on a received basis and this income is included in income from investments in the profit and loss account.

(ii) In addition the group share of retained profits less losses for the year is accounted for separately in the profit and loss account. The accounts used to calculate the group share of retained profits less losses of associated companies are the latest audited accounts available to the group with the exception of certain associated companies whose audited accounts have been made up to dates which are more than six months before the group's year end. For details of these exceptions see note (ii) on page 35.

(iii) The group share of retained profits less losses of associated companies since 1 April 1971 or the date when they were first treated as associated companies is included in the book values of the investments in the consolidated balance sheet. It is not practicable to ascertain the group share of retained profits prior to these dates.

Consolidated Profit and Loss Account Year ended 31 March 1977

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

	1977 £000	1977 £000	1976 £000	1976 £000
Income from investments *(note 1)*		18,581		18,220
Surplus on realizations of investments		2,375		6,078
Interest receivable		2,746		2,911
Trading profit *(note 5)*		18,936		14,566
		42,638		41,775
Deduct: Administration and technical expenditure *(note 5)*	3,674		2,127	
Prospecting expenditure	825		1,053	
Interest payable *(note 3)*	5,777	10,276	5,821	9,001
		32,362		32,774
Group share of retained profits less losses of associated companies *(note 2)*		6,369		3,663
Profit before taxation		38,731		36,437
Taxation *(note 7)*		18,693		14,666
Profit after taxation and before extraordinary items		20,038		21,771
Deduct: Interest of outside shareholders in profits of subsidiaries	2,597		2,159	
Pre-acquisition profit	—	2,597	223	2,382
Attributable to Charter		17,441		19,389
Earnings per share 16.64p (1976 – 18.50p) *(note 8)*				
Dividends paid and proposed *(note 9)*		7,789		7,081
Profit for the year retained before extraordinary items		9,652		12,308
Deduct: Extraordinary items *(note 4)*		9,384		2,775
Retained profit transferred to reserves		268		9,533

Profit for the year after extraordinary items totalled £8,057,000 (1976 – £16,614,000)

	1977 £000	1976 £000
Movements on reserves *(note 17)*		
Reserves at 31 March 1976	155,121	140,725
Retained profit for the year	268	9,533
Revaluation of properties net of deferred taxation	—	5,184
Dilution and disposals of shareholdings in subsidiary and associated companies	(1,724)	(321)
Reserves at 31 March 1977	153,665	155,121

The accounting policies on pages 18 and 19 and the notes on pages 23 to 31 form part of these accounts.
The report of the auditors is on page 17.

Consolidated Balance Sheet 31 March 1977

CHARTER CONSOLIDATED LIMITED AND ITS SUBSIDIARY COMPANIES

	1977		1976	
	£000	£000	£000	£000
Fixed assets *(note 10)*		54,199		47,353
Exploration and development expenditure		601		657
Investments *(note 11)*		195,969		196,151
Current assets				
Stocks and work in progress *(note 12)*	32,756		23,939	
Debtors	41,405		37,100	
Short term loans and deposits	28,667		33,679	
Bank and cash balances	1,978		2,024	
	104,806		96,742	
Current liabilities				
Associated companies' and other deposit accounts	4,710		8,595	
Bank loans and overdrafts (secured – £2,696,000; 1976 – £528,000)	16,379		9,352	
Creditors *(note 13)*	35,582		35,274	
Taxation	5,473		4,295	
Proposed final dividend	4,907		4,461	
	67,051		61,977	
Net current assets		37,755		34,765
		288,524		278,926
Financed by:				
Share capital *(note 14)*		26,202		26,202
Share premium account *(note 15)*		30,631		30,622
Reserves *(note 17)*		153,665		155,121
Total capital and reserves		210,498		211,945
Capital expenditure grants		988		863
Interest of outside shareholders in subsidiaries		15,946		13,332
Long term indebtedness *(note 16)*		53,230		49,414
Deferred taxation *(note 18)*		7,862		3,372
		288,524		278,926

M. B. HOFMEYR }
} *Directors*
B. W. PAIN }

The accounting policies on pages 18 and 19 and the notes on pages 23 to 31 form part of these accounts.
The report of the auditors is on page 17.

Balance Sheet 31 March 1977

CHARTER CONSOLIDATED LIMITED

	1977 £000	1977 £000	1976 £000	1976 £000
Subsidiary companies				
Shares at cost or valuation	93,779		93,779	
Add:				
Amounts due from subsidiaries	4,050		65,402	
	97,829		159,181	
Deduct:				
Amounts due to subsidiaries	38,212	59,617	100,298	58,883
Deferred asset				
Advance corporation tax *(note 18)*		2,642		2,402
Current asset				
Bank balances		2		4
		62,261		61,289
Financed by:				
Share capital *(note 14)*		26,202		26,202
Share premium account *(note 15)*		18,636		18,629
Reserves *(note 17)*		9,058		8,047
Total capital and reserves		53,896		52,878
Long term indebtedness *(note 16)*		2,350		2,357
Current liabilities				
Creditors	68		64	
Taxation	1,040		1,529	
Proposed final dividend	4,907	6,015	4,461	6,054
		62,261		61,289

M. B. HOFMEYR }
B. W. PAIN } Directors

The accounting policies on pages 18 and 19 and the notes on pages 23 to 31 form part of these accounts.
The report of the auditors is on page 17.

Notes on the Accounts

1. Income from investments

	1977 £000	1976 £000
(i) Associated companies (see note 2)	3,247	3,008
Other investments	15,334	15,212
	18,581	18,220
(ii) Arising from:		
Listed investments	15,051	14,462
Unlisted investments	3,530	3,758
	18,581	18,220
(iii) Includes franked investment income	4,239	4,248

2. Associated companies

(i) Companies considered to be principal associated companies as defined in accounting policy 12 on page 19 are listed on pages 34 and 35.

(ii) Income from investments in associated companies was £3,247,000 (1976 – £3,008,000). This represents dividends received by Charter in the year ended 31 March 1977, being dividend declarations by associated companies relating to accounting periods which have been dealt with in these accounts of £3,110,000 (1976 – £2,390,000) and dividend payments by associated companies in respect of subsequent periods of £137,000 (1976 – £618,000).

(iii) Group share of retained profits less losses of associated companies.

	1977 £000	1976 £000
Share of profits less losses before taxation	9,626	6,846
Deduct: Dividends declared from these profits	3,257	3,183
Group share of retained profits less losses before taxation	6,369	3,663
Taxation (see note 7)	6,079	3,218
	290	445
Extraordinary items (see note 4)	(1,955)	1,908
Group share of losses less retained profits for the year ended 31 March 1977 (see note 17)	(1,665)	2,353

(iv) For balance sheet details of investments in associated companies see note 11.

3. Interest payable on borrowings by the group

	1977 £000	1976 £000
Loans repayable after more than five years	3,170	2,876
Loans repayable within five years	64	292
Amounts deposited with the group	676	994
Bank loans and overdrafts	1,867	1,659
	5,777	5,821

4. Extraordinary items

	1977 £000	1976 £000
Société Minière de Tenke-Fungurume (SMTF) (see notes (i) and (ii) below)	(7,852)	(14,600)
Tax relief on prior years' losses relating to SOMIMA	—	7,326
Profits less losses on disposal of long term investments net of taxation	1,350	2,395
Exploration and development expenditure and mining rights written off	(399)	(458)
Goodwill and pre-acquisition profits on purchase of shares in subsidiaries	(243)	592
Net effect of conversion of currencies	113	897
Losses and provisions relating to closure of operations net of taxation	(44)	(1,039)
Provision for permanent diminution in value of investments no longer required (1976 provision)	36	(1,153)
Surplus on sale of fixed assets	—	414
Sundry	87	379
Associated companies (see note (iii) below)	(1,955)	1,908
	(8,907)	(3,339)
Interest of outside shareholders	(477)	564
	(9,384)	(2,775)

NOTES

(i) As detailed in the review by the chairman (pages 8-9), development of the SMTF project remains suspended. At 31 March 1977 Charter had contributed £24.2 million to the investment in SMTF. The directors consider it prudent to provide a further £7.9 million, making a total provision of £22.5 million against the expenditure to date. The investment is now included in the consolidated balance sheet at an amount of £1.7 million (US$3.0 million).

(ii) No credit for deferred taxation has been taken in respect of this item as such relief may be offset by restriction of relief for overseas taxation.

(iii) Associated companies' extraordinary items include the following:

	1977 £000	1976 £000
Provision for diminution in value of underlying investments	(5,271)	—
Net gains on realizations of investments	125	166
Effect of currency realignment	3,212	1,838
Sundry	(21)	(96)
	(1,955)	1,908

5. Trading profit and administration and technical expenditure

	1977 £000	1976 £000
(i) Expenses charged:		
Auditors' remuneration (parent company – £10,000; 1976 – £7,000)	267	218
Directors' emoluments (see note 6)	218	237
Depreciation of fixed assets (see note 10)	5,139	4,119
Hire of plant and equipment	801	715
Credits:		
Capital expenditure grants	185	170
Rents receivable	542	230
(ii) Turnover of the manufacturing subsidiaries	160,013	130,295
(iii) Administration and technical expenditure:		
Expenditure	10,224	10,724
Deduct: Recovered from companies outside the group	6,550	8,597
	3,674	2,127

(iv) A subsidiary has a commitment to make an annual payment of £187,000 to the Charter Consolidated pension scheme for the next eight years.

6. Directors' emoluments

	1977 £	1976 £
Directors of the parent company:		
Fees	17,000	14,000
Salaries and other remuneration, including pension contributions	236,000	266,000
Pensions to former directors	6,000	5,000
	259,000	285,000
Deduct: Fees received from other companies and refunded to the group	41,000	48,000
	218,000	237,000

	1977	1976
Amounts paid to directors:		
Chairmen: Mr M. B. Hofmeyr (note (i))	29,117	—
Mr S. Spiro	13,984	31,898
Others:		
£25,001–£27,500	—	1
£22,501–£25,000	1	—
£20,001–£22,500	3	5
£17,501–£20,000	1	1
£15,001–£17,500	2	1
£7,501–£10,000	1	2
£5,001– £7,500	—	1
up to £2,500	11	9

NOTES

(i) Including £8,627 as highest paid director to 31 July 1976 when he was appointed chairman.

(ii) 13 directors have agreed to waive emoluments due to them from Charter Consolidated Limited and its subsidiary companies. Fees waived by these directors during the year amounted to £34,000 (1976: 15 directors – £37,000).

7. Taxation

	1977 £000	1976 £000
GROUP COMPANIES		
On profit for the year:		
United Kingdom corporation tax at 52 per cent, including deferred taxation of £3,185,000 (1976 – £1,110,000)	11,749	13,898
Taxation at 35 per cent on United Kingdom investment income	1,484	1,486
	13,233	15,384
Deduct. Relief for overseas taxation	6,729	5,994
	6,504	9,390
Overseas taxation, including deferred taxation of £1,257,000 (1976 – £571,000)	6,287	3,659
	12,791	13,049
Deduct:		
Adjustments in respect of previous years	(33)	1,381
Estimated overspill relief	210	220
	177	1,601
	12,614	11,448
ASSOCIATED COMPANIES	6,079	3,218
	18,693	14,666

NOTES

(i) In the event of certain overseas subsidiaries and associated companies distributing reserves or profits, additional liability to United Kingdom and overseas taxation would arise.

(ii) Overseas taxation is arrived at after taking credit for exporters' taxation allowance for which the South African mining subsidiaries are eligible.

8. Earnings per share

Earnings per share attributable to Charter is calculated on earnings of £17,441,000 (1976 – £19,369,000) and on 104,794,781 shares (1976 – 104,792,981 shares) as if the additional 1,800 shares issued during the financial year had been issued for the whole year.

9. Dividends paid and proposed

	1977 £000	1976 £000
Interim dividend of 2.75p per share (1976 – 2.5p) paid on 3 January 1977	2,882	2,620
Proposed final dividend of 4.68242p per share (1976 – 4.25675p per share) payable on or about 22 July 1977 (see the report of the directors, page 4)	4,907	4,461
	7,789	7,081

10. Fixed assets

	FREEHOLD PROPERTY £000	LONG LEASEHOLD PROPERTY £000	SHORT LEASEHOLD PROPERTY £000	PLANT FURNITURE AND FITTINGS £000	MINING RIGHTS £000	TOTAL £000
COST OR VALUATION						
At 31 March 1976	27,717	2,813	4,126	40,163	1,440	76,259
Currency realignment	1,017	—	504	3,273	260	5,054
Additions at cost	1,337	62	626	8,051	—	10,076
Subsidiaries acquired	—	—	22	90	—	112
Disposals	(303)	(24)	—	(1,432)	(88)	(1,847)
Revaluations	(25)	—	—	—	—	(25)
At 31 March 1977	29,743	2,851	5,278	50,145	1,612	89,629
DEPRECIATION ON ASSETS AT COST OR AT VALUATION						
At 31 March 1976	2,235	550	1,902	24,104	115	28,906
Currency realignment	314	—	305	1,908	21	2,548
Charge to profit and loss account	715	(47)	226	4,211	34	5,139
Subsidiaries acquired	—	—	—	17	—	17
Disposals	(39)	(5)	—	(1,136)	—	(1,180)
At 31 March 1977	3,225	498	2,433	29,104	170	35,430
NET BOOK AMOUNTS						
At 31 March 1977	26,518	2,353	2,845	21,041	1,442	54,199
At 31 March 1976	25,482	2,263	2,224	16,059	1,325	47,353

NOTES

(i) Fixed assets are included on the following bases:

	FREEHOLD PROPERTY £000	LONG LEASEHOLD PROPERTY £000	SHORT LEASEHOLD PROPERTY £000	PLANT FURNITURE AND FITTINGS £000	MINING RIGHTS £000
At cost	13,274	1,409	4,456	50,116	186
At valuation – 1948	—	—	—	—	1,426
1970	—	—	—	23	—
1972	152	—	—	—	—
1974	268	1,117	102	—	—
1975	15,849	325	720	—	—
1976	200	—	—	6	—
	29,743	2,851	5,278	50,145	1,612

(ii) Freehold properties at valuation include an amount of £824,000 relating to land and factory premises acquired by the Belgian subsidiary and financed by secured loans (see note 16). The legal title to the factory premises does not vest in the company concerned until the final instalments on the loans have been paid.

(iii) Commitments for capital expenditure of subsidiaries amount to £2,745,000 (1976 – £1,104,000).

(iv) Estimated capital expenditure of subsidiaries authorized but not committed amounts to £5,090,000 (1976 – £3,575,000).

11. Investments

	AT COST, LESS AMOUNTS WRITTEN OFF		AT MARKET VALUE OR DIRECTORS' VALUATION	
	1977	1976	1977	1976
	£000	£000	£000	£000
ASSOCIATED COMPANIES				
Listed in Great Britain	22,707	13,623	24,183	18,642
Listed outside Great Britain	163	12,973	254	9,947
	22,870	26,596	24,437	28,589
Unlisted	33,861	17,770	38,275	26,688
	56,731	44,366	62,712	55,277
Advances	1,055	6,858	977	6,568
	57,786	51,224	63,689	61,845
Add: Group share of retained profits less losses (see note 17)	13,326	16,711		
	71,112	67,935		
OTHER INVESTMENTS				
Listed in Great Britain	85,099	80,949	152,272	146,607
Listed outside Great Britain	21,175	18,721	19,703	16,995
	106,274	99,670	171,975	163,602
Unlisted	18,583	28,546	17,128	30,159
	124,857	128,216	189,103	193,761
TOTAL INVESTMENTS				
Listed in Great Britain	117,133	106,631	176,455	165,249
Listed outside Great Britain	21,386	31,706	19,957	26,942
	138,519	138,337	196,412	192,191
Unlisted, including advances	57,450	57,814	56,380	63,415
	195,969	196,151	252,792	255,606

NOTES

(i) In the case of listed South African securities, London stock exchange prices have been taken where the securities are held in the United Kingdom, and Johannesburg stock exchange prices where the securities are held in South Africa.

(ii) Included in other unlisted investments are shares in Anglo American Corporation Rhodesia Limited. The book value and directors' valuation at 31 March 1977 both amount to £2,989,000 (1976 – £2,989,000). Any disposal of these shares would require consent under existing exchange control regulations, and no income can be remitted to the group from Rhodesia.

(iii) Commitments and guarantees by the company and its subsidiaries in respect of subscriptions for shares and loan facilities amount to £8,141,000 (1976 – £8,866,000).

(iv) A subsidiary company has entered into contracts for exploration expenditure to be incurred after 31 March 1977.

(v) The greater part of the investments is of a permanent nature, but in the event of their realization at the current market values there would be a corporation tax liability on the resultant profit based approximately on the surplus of market values over cost.

(vi) The market value of foreign currency investments includes 75 per cent of the investment currency premium where applicable.

12. Stocks and work in progress

	1977 £000	1976 £000
Long term contract work in progress	25,965	16,610
Deduct: Progress payments received and receivable	26,236	16,227
	(271)	383
Raw materials and consumable stores	16,835	10,822
Work in progress	2,038	1,858
Finished goods	14,154	10,876
	32,756	23,939

13. Creditors

Creditors include the balance amounting to £1,779,000 (1976 – £2,339,000) of a provision established by Cape Industries Limited in 1973 for compensation payments for industrial disease. Since the provision was established, the number of claims received has been substantially higher than the level on which the provision was based, although it is possible that this is at least in part attributable to the submission of claims at an earlier time than originally expected. The experience to date, however, indicates that in the final outcome the aggregate number of claims may exceed that originally expected. The assessment of the likely sum required remains very difficult to determine and it is not possible to state that the balance of the provision will, in fact, be adequate. Having consulted the board of Cape Industries who have reviewed the position with their auditors, the directors consider that there is no conclusive evidence that at this stage it is necessary to set aside a further material amount, and accordingly no additional provision has been made.

14. Share capital

		£
Authorized: At 31 March 1976 and 1977	120,000,000 shares of 25p each	30,000,000
Issued and fully paid: At 31 March 1976	104,792,981 shares of 25p each, fully paid	26,198,245
Issued during year as detailed in the report of the directors	1,800	450
	104,794,781	26,198,695
Issued partly paid: At 31 March 1976 and 1977	326,500 shares of 25p each, 1p paid up	3,265
Total issued at 31 March 1977		26,201,960

NOTES

(i) Under the share incentive scheme adopted in 1970 and the share option scheme designed to supersede it in 1973 the directors can at their discretion issue to senior employees up to a further 2,642,088 partly paid shares under the former scheme or options to subscribe for up to 2,873,500 shares.

(ii) The maximum number of shares which may be issued on conversion of the company's five per cent convertible loan stock 1984 is 563,944.

15. Share premium account

	GROUP £000	COMPANY £000
Balances at 31 March 1976	30,622	18,629
Premium on shares issued by the company	7	7
Gain on currency conversion	2	—
Balances at 31 March 1977	30,631	18,636

16. Long term indebtedness

	1977 £000	1976 £000
Details of loans repayable over a longer period than five years:		
Debenture stocks (secured) issued by		
(i) Charter Consolidated Investments Limited		
4½ per cent first debenture stock 1978/83	500	500
4 per cent second debenture stock 1978/83	500	500
(ii) Cape Industries Limited		
7¾ per cent debenture stock 1986/89	2,000	2,000
6¼ per cent debenture stock 1986/89	600	600
Unsecured loan stocks issued by		
(i) The company		
5 per cent convertible loan stock 1984	2,350	2,357
(ii) Cape Industries Limited		
7¼ per cent loan stock 1986/91	3,459	3,459
(iii) Swaziland Collieries Limited		
9½ per cent registered convertible notes 1972/81	16	15
Bonds issued by Charter Consolidated Overseas N.V.		
(i) 6½ per cent unsecured bonds of DM110,000,000 1968/83	26,764	22,998
(ii) 7½ per cent guaranteed bonds of FF92,000,000 1987	10,760	10,479
Belgian long term loans		
Secured, repayable by annual instalments over 10 years	397	349
	47,346	43,257
Bank loans unsecured	5,884	6,157
	53,230	49,414

NOTES

(i) The company's five per cent convertible loan stock 1984 carries the following conversion rights:

Year of conversion	*Number of shares per £100 stock*
1977-9	24
1980-4	23

(ii) The DM110,000,000 6½ per cent unsecured bonds 1968/83 are listed on the Frankfurt stock exchange. The FF92,000,000 7½ per cent guaranteed bonds 1987 are listed on The Stock Exchange, London.

The company has guaranteed both bond issues as regards repayment of principal, including premium if any, and payment of interest.

(iii) The Belgian loans are repayable by annual instalments, and interest is payable at rates (currently not exceeding seven per cent per annum) determined half-yearly by the Belgian authorities.

(iv) Bank loans are repayable in the following currencies:

	1977 £000	1976 £000
Belgian francs	3,076	2,772
US dollars	1,181	—
Sterling	1,000	3,000
French francs	348	385
Swedish kroner	279	—
	5,884	6,157

17. Reserves

	GROUP	COMPANY	SUBSIDIARY COMPANIES	ASSOCIATED COMPANIES
	£000	£000	£000	£000
Reserves at 31 March 1976	155,121	8,047	130,363	16,711
Retained profit for the year	268	1,011	922	(1,665)
Dilution and disposals of shareholdings in subsidiary and associated companies	(1,724)	—	(4)	(1,720)
Reserves at 31 March 1977	153,665	9,058	131,281	13,326

18. Deferred taxation

	1977	1976
The balance of deferred taxation comprised:	£000	£000
Excess of the book value of assets qualifying for taxation allowances over their written down value for taxation purposes	8,117	5,243
Taxation on capital gains on property revaluation	2,706	2,679
Taxation on capital gains on assets sold and rolled over against the acquisition of new assets	308	292
Taxation relief relating to provision for compensation for industrial disease	(650)	(1,040)
Stock appreciation relief relating to certain industrial subsidiaries	3,907	1,561
Taxation relief on prospecting expenditure not yet claimed	(837)	(849)
Difference between book and taxation value of investments arising from timing differences	(774)	(544)
Advance corporation tax (see note below)	(4,915)	(3,970)
	7,862	3,372

NOTE:
Advance corporation tax recoverable of £2,642,000 (1976 – £2,402,000) is shown as a deferred asset in the company's balance sheet.

19. Contingent liabilities

	1977	1976
	£000	£000
For amounts not called on investments	447	168
In respect of guarantees of £28,158,000 less counter-guarantees £5,129,000 (company net – £14,259,000; 1976 – £10,658,000)	23,029	22,109
In respect of underwriting participations and options granted	226	485
Bills receivable	593	516
Other items	600	—
	24,895	23,278

Cape Industries Limited has been named a defendant in actions commenced in the USA which seek the recovery of very substantial damages. These actions are being strenuously contested. In the opinion of American legal advisers, the amounts claimed are highly speculative and conjectural and have only a tenuous basis in law or in fact. In the light of this advice, the directors believe that no material liability is likely to arise as a result of the actions, and no provision has been made in these accounts in respect of any such liability.

Beralt Tin and Wolfram's mine at Panasqueira, Portugal

Source and Application of Funds Year ended 31 March 1977

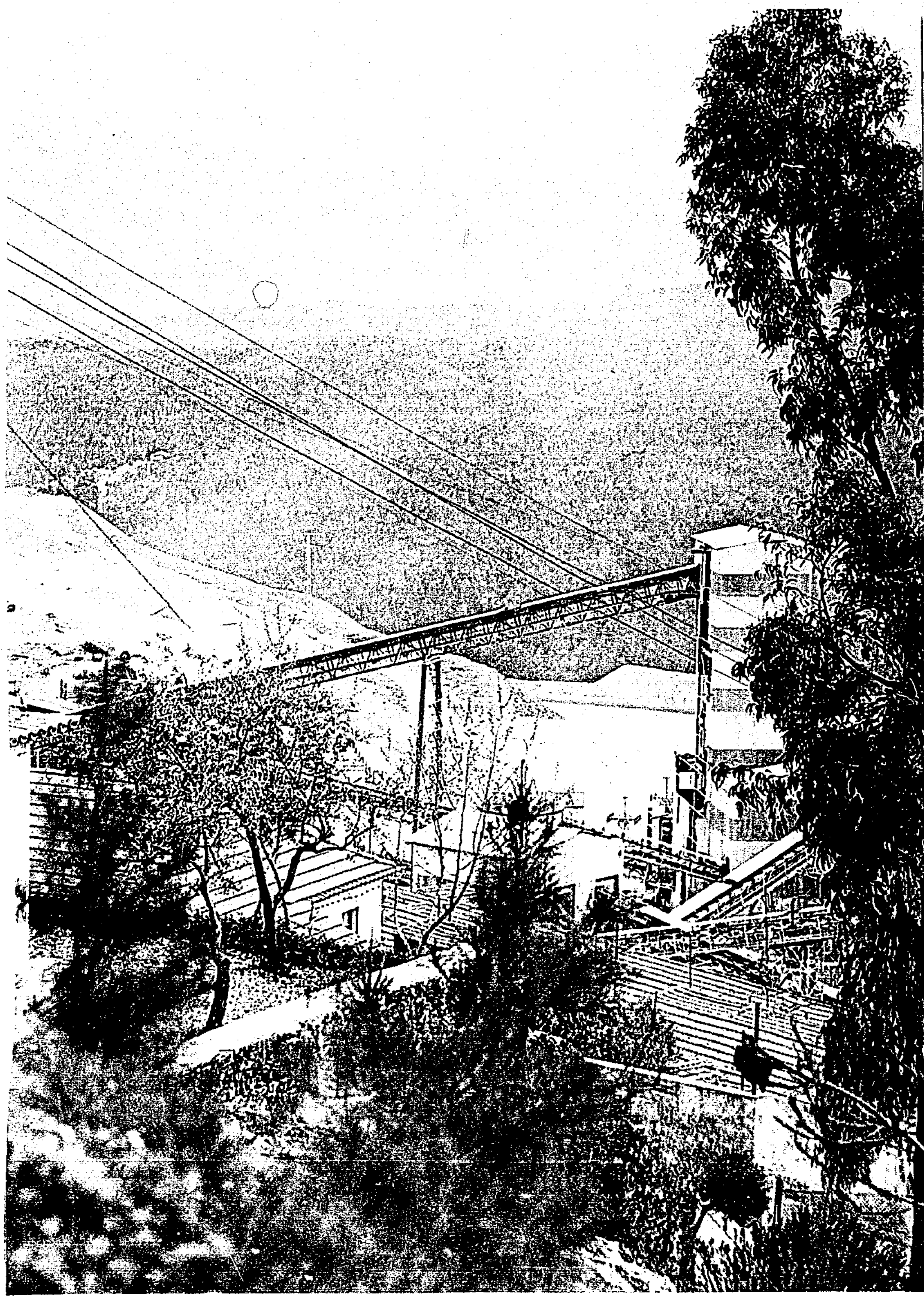
	1977		1976	
	£000	£000	£000	£000
SOURCE OF FUNDS				
Profit before taxation		38,731		36,437
Extraordinary items before interest of outside shareholders and adjusted for taxation of £278,000 for 1977 and (£2,142,000) for 1976		(8,629)		(5,481)
		30,102		30,956
Adjustments for items not involving movements of funds:				
Depreciation	5,139		4,119	
SMTF	7,852		10,400	
Provision for diminution in value of portfolio and long term investments	(139)		1,350	
Changes in currency conversion rates of loans, investments, and fixed assets	2,110		1,964	
Exploration and development expenditure written off	311		458	
Share of retained profits less losses of associated companies	(4,414)	10,859	(5,571)	12,720
Funds generated		40,961		43,676
Disposal of fixed assets	667		1,172	
Proceeds of rights issue received by Cape Industries Limited from minority shareholders	—		1,657	
Decrease in long term indebtedness	(1,928)	(1,261)	2,738	5,567
		39,700		49,243
APPLICATION OF FUNDS				
Purchases of fixed assets	10,171		6,409	
Investments (see note (i) below)	9,855		198	
Taxation paid	7,224		8,494	
Increase in working capital and other items (see note (ii) below)	13,307		11,567	
Dividends paid	7,343	47,900	6,769	33,437
(Decrease) increase in liquid funds (see note (iii) below)		(8,200)		15,806

NOTES

	1977	1976
(i) Investments:	£000	£000
Long term – purchases	13,391	23,310
– book value of realizations	(2,069)	(7,359)
	11,322	15,951
Portfolio – net realizations at book value	(1,467)	(15,753)
	9,855	198

	1977	1976
(ii) Analysis of working capital:		
Increase in stocks and work in progress	8,817	(788)
Increase in debtors	4,305	4,915
Increase in creditors	(308)	6,649
Other items	493	791
	13,307	11,567

	1977	1976
(iii) Decrease in liquid funds:	£000	£000
Decrease in short term loans, deposits, and cash	(5,058)	6,651
Decrease in associated companies' and other deposits	3,885	1,817
Increase in bank loans and overdrafts	(7,027)	7,338
	(8,200)	15,806



Principal Investments

PRINCIPAL INVESTMENTS OF 10 PER CENT OR MORE, INCLUDING ASSOCIATED COMPANIES*		Group interest in equity capital (per cent)	Accounting date for inclusion of associated company results
Australia	Australian Anglo American Limited *Mining finance*	15	
	International Pacific Corporation Limited *Merchant banking*	37.4	
	Tinnabruich (Pty) Limited *Investment*	37	
Bermuda	Minerals and Resources Corporation Limited* *Mining finance*	20	December
Brazil	Anglo American Corporation do Brasil Limitada *Gold mining and general prospecting*	11.6	
Canada	Anglo American Corporation of Canada Limited* *Mining finance*	24.8	December
France	Société Minière d'Anglade *Scheelite mining*	25	
Republic of Ireland	Tara Exploration and Development Company Limited Incorporated in Canada *Lead and zinc mining*	10.8	
Malaysia	New Tradewinds Sdn Bhd* *Tin mining* (see note (i) below)	28.6	January
Portugal	Beralt Tin and Wolfram Limited* Incorporated in England *Wolfram mining*	46.3	December
Rhodesia	Anglo American Corporation Rhodesia Limited *Industrial finance*	33.5	
Singapore	Haw Par Brothers International Limited *General trading, insurance, shipping, and investment*	13.2	
South Africa	Anglo American Corporation of South Africa Limited *Mining finance* (Group interest in equity capital reduced to 6.5 per cent on 9 May 1977 as a result of the merger with Rand Selection Corporation Limited)	10	
	Anglo American Investment Trust Limited *Diamond investments*	10	
	Blyvooruitzicht Gold Mining Company Limited *Gold mining*	10	
	Euranglo (Pty) Limited* *Investment*	25	December
Switzerland	Anmersales AG.* *Marketing of metals*	37	September
United Kingdom	Anmercosa Sales Limited* *Marketing of metals*	37	September
	Charter-CJB Mineral Services Limited* *Technical services*	50	December
	Cleveland Potash Limited* *Development of potash mine* (Group interest in 10 per cent redeemable participating preference shares – 50 per cent)	37.5	December
	Covenant Industries Limited* *Marketing and manufacture of chemicals*	33.9	September

		Group interest in equity capital (per cent)	Accounting date for inclusion of associated company results
United Kingdom	Selection Trust Limited *Mining finance*	28.1	
Zaire	Société Minière de Tenke-Fungurume *Copper and cobalt project*	14	
Zambia	National Milling Company Limited *Flour milling*	24.5	

**associated companies as defined in accounting policy 12 on page 19*

OTHER PRINCIPAL INVESTMENTS

Botswana	Botswana RST Limited *Nickel and copper mining*
South Africa	The Argus Printing and Publishing Company Limited *Printing and publishing*
	De Beers Consolidated Mines Limited *Diamond mining*
	Harmony Gold Mining Company Limited *Gold mining*
	Rustenburg Platinum Holdings Limited *Platinum mining*
	Union Corporation Limited *Mining finance*
United Kingdom	The Rio Tinto-Zinc Corporation Limited *Mining finance*
Zambia	Zambian government loans – housing – Kariba hydro-electric scheme

NOTES

(i) The holding of 28.6 per cent of the equity in New Tradewinds Sdn Bhd was received on 10 March 1977 in exchange for investments in the following associated companies:

	Equity exchanged (per cent)
Associated Mines (Malaya) Sendirian Berhad	49
Ayer Hitam Tin Dredging Limited	12.5
Bidor Malaya Tin Sendirian Berhad	49
The Sungei Besi Mines Limited	4.3
Tronoh Mines Limited	26.1

The group share of retained profits less losses of these associated companies has been accounted for up to 31 December 1976.

(ii) The accounts used to calculate the group share of retained profits less losses of associated companies whose audited accounts have been made up to dates which are more than six months before the group's year end are as follows:

Minerals and Resources Corporation Limited – half-year to 30 June (based on audited accounts) and half-year to 31 December (based on unaudited accounts)

Ayer Hitam Tin Dredging Limited – half-year to 30 June (based on audited accounts) and half-year to 31 December (based on unaudited accounts)

The Sungei Besi Mines Limited – three months to 31 March (based on audited accounts) and nine months to 31 December (based on unaudited accounts)

(iii) Companies are shown by principal country of operation; where they are incorporated in a different country this is shown after the company name.

Subsidiary Companies

The following are the major subsidiaries of the company, including those whose activities materially affected the profit or assets of the Charter group during the year. Except where otherwise stated, each of these companies is wholly owned and all the shares or stock held are either unclassified or classified as ordinary.

Cape Industries group†	Country of incorporation/operation
Cape Industries Limited (66.3 per cent) (3½ per cent cumulative preference shares – 100 per cent) *Industrial and mining*	*England*
Cape Asbestos Fibres Limited (66.3 per cent) *Marketing of asbestos fibre*	*England*
Cape Asbestos South Africa (Pty) Limited (66.3 per cent) *Administration of group South African mining companies*	*South Africa*
Cape Blue Mines (Pty) Limited (66.3 per cent) *Mining of blue asbestos*	*South Africa*
Cape Boards and Panels Limited (66.3 per cent) *Insulation board for ship and building construction*	*England*
Cape Building Services Limited (66.3 per cent) *Fire protection and insulation contracting*	*England*
Cape Contracts Limited (66.3 per cent) *Fire protection, thermal and acoustic insulation contracting*	*England*
Cape Distribution Limited (66.3 per cent) *Distribution of automotive components*	*England*
Cape Insulation Limited (66.3 per cent) *Insulation products*	*England/Scotland*
Cape Investments S.A. (66.3 per cent) *Holding company for industrial subsidiaries in South Africa*	*South Africa*
Cape Universal Claddings Limited (66.3 per cent) *Asbestos cement products and other building materials*	*England*
Don International Limited (66.3 per cent) (4.2 per cent cumulative preference shares – 66.3 per cent) *Manufacture of friction materials*	*England*
Don International S.A. (66.3 per cent) *Manufacture of friction materials*	*Belgium*
Egnep (Pty) Limited (66.3 per cent) *Mining of amosite asbestos*	*South Africa*
North American Asbestos Corporation (66.3 per cent) *Sale of crude and processed asbestos fibre*	*United States of America*
Trist, Draper Limited (66.3 per cent) *Manufacture of friction materials*	*England*

Other industrial

Elastic Rail Spike Company Limited *Railway track fastenings and mine roof bolting systems*	*England*
Heatrae-Sadia Holdings Limited *Heating equipment, domestic electrical appliances, and commercial refrigerators*	*England*

Finance and investment

Barnato (Holdings) U.K. Limited	*England*
The British South Africa Company*	*England*
The British South Africa Company Investments Limited*	*England*
Central Mining Finance Limited	*England*
The Central Mining & Investment Corporation Limited*	*England*
Centramic (South Africa) Limited	*South Africa*
Charmay Limited	*Bermuda/England*
Chartel Limited	*Liberia*
Charter Consolidated Finance Limited	*England*
Charter Consolidated Investments Limited*	*England*
Charter Consolidated (Malaysia) Sendirian Berhad	*Malaysia*
Charter Consolidated (U.K. Offshore Oil Exploration) Limited	*England*
Charter Consolidated Overseas N.V.†	*Curaçao (Netherlands Antilles)*
Charter European Holdings S.A.	*Luxembourg*
The Consolidated Mines Selection (Johannesburg) Limited	*South Africa*
Equinox Investments Limited	*South Africa*
Interlink Investments Limited	*Canada*
Leonora Investments Limited	*Gibraltar*
Nimbus Investments S.A.	*Luxembourg*
Raven Investments Limited	*Gibraltar*
Shafford Holdings Limited	*England*
Swaziland Collieries Limited (57.6 per cent)	*Swaziland*
Town Properties Limited	*South Africa*

Services

Anglo Charter International Services Limited* (51 per cent) *Employment services*	*England*
Charter Consolidated Services Limited* *Administrative and technical services*	*England*

* Shares in these companies are held directly by Charter; the shares in the remaining companies are held through subsidiaries.

†The accounts of the Cape Industries group and Charter Consolidated Overseas N.V. are not audited by the Charter group auditors. These accounts are available on application.

Analysis of Assets and Income

Geographical analysis of total assets and revenue

	Assets 1977 £000	Assets 1976 £000	Per cent of assets 1977	Per cent of assets 1976	Per cent of revenue 1977	Per cent of revenue 1976
United Kingdom	**92,271**	86,477	**26.7**	25.6	**25.0**	31.3
Rest of Europe	**23,468**	20,845	**6.8**	6.2	**7.5**	9.5
North and South America	**60,754**	45,853	**17.6**	13.5	**13.1**	10.9
South Africa	**118,228**	119,965	**34.2**	35.4	**41.2**	37.6
Zambia	**5,086**	12,226	**1.5**	3.6	**1.4**	0.9
Rest of Africa	**9,234**	20,956	**2.7**	6.2	**2.3**	1.1
South-east Asia	**14,331**	11,711	**4.1**	3.5	**6.8**	3.8
Australia	**21,975**	20,349	**6.4**	6.0	**2.7**	4.9
	345,347	338,382	**100.0**	100.0	**100.0**	100.0

Analysis by category of investments and investment income

	Investments 1977 £000	Investments 1976 £000	Per cent of investments 1977	Per cent of investments 1976	Per cent of investment income 1977	Per cent of investment income 1976
Mining–Finance	**137,102**	139,541	**54.2**	54.6	**49.9**	47.4
Diamonds	**23,689**	19,396	**9.4**	7.6	**16.3**	11.6
Gold	**15,567**	14,933	**6.2**	5.9	**6.6**	12.5
Tin and wolfram	**6,597**	7,452	**2.6**	2.9	**6.1**	3.2
Copper, potash, and other minerals	**34,410**	36,569	**13.6**	14.3	**2.1**	1.0
Industrial, commercial, etc.	**32,178**	33,530	**12.7**	13.1	**17.7**	23.0
Long term loans	**3,249**	4,185	**1.3**	1.6	**1.3**	1.3
	252,792	255,606	**100.0**	100.0	**100.0**	100.0

NOTES

(i) The investments included in the analysis (geographical and by category) are the stock exchange value of listed investments and the directors' valuation of unlisted investments at 31 March.

(ii) The geographical analysis takes into consideration direct interests and where possible major indirect interests in the areas concerned and is therefore only approximate.

(iii) The analysis of investments does not include the industrial subsidiaries.

Interests of the Company

The following are brief descriptions of some of the companies in which Charter has an important interest:

Anglo American Corporation of South Africa Limited

Anglo American Corporation of South Africa is the head of an international group of mining, industrial, and investment companies to which it provides technical and other services. Its size overall is estimated at approximately R4,900 million.

Production by the group's gold mines fell slightly from 285,147 kilograms to 278,355 kilograms due to a decline in the grade recovered. An increase of 14 per cent in unit working costs and a lower average price received for gold combined to reduce working profit by 34 per cent to R383 million, of which taxation and state's share of profits absorbed R158 million. Group production of uranium increased from 1,073 to 1,153 tons and profit attributable to uranium more than doubled to R13.4 million.

Operating profit from group collieries rose from R21.4 million to R49.1 million, largely because of higher export sales and improved domestic selling prices. In its first full year of operation, Anglo American Coal Corporation Limited increased its earnings from R14.9 million to R40.5 million.

The group's industrial interests had a successful year. Highveld Steel and Vanadium Corporation Limited increased its pre-tax profit from R20.2 million to R28 million in spite of the recessionary conditions in steel markets, and the Boart and Scaw Metals groups also increased their earnings. During the year Sigma Motor Corporation (Proprietary) Limited, with assets of approximately R100 million, was formed as the result of a merger between Chrysler South Africa (Proprietary) Limited and Illings (Proprietary) Limited. The group holds slightly more than 75 per cent of Sigma, with Chrysler holding the balance.

The corporation's interest in diamonds lies mainly in its holding in De Beers Consolidated Mines Limited through Anglo American Investment Trust Limited, and its investment in the Zambian copper mining industry is held through the Bermudian company Minerals and Resources Corporation Limited.

On 9 May 1977 Rand Selection Corporation Limited became a wholly owned subsidiary of the corporation following the cancellation of the 34,999,828 ordinary shares in Rand Selection not already held by the corporation and its subsidiaries, and the issue in consideration of such cancellation of 69,999,656 ordinary shares in the corporation. In addition, Rand Selection, on behalf of the subscribers to the rights offer of 25 new Rand Selection ordinary shares for every 100 held at a price of R8 a share, accepted an offer made to it by the corporation for the issue to such subscribers of two ordinary shares in the corporation for every Rand Selection ordinary share subscribed.

An analysis by primary source of the corporation's investments at 31 December 1976 is shown below:

	Value per cent	*Income per cent*
Gold	33	33
Diamonds	15	20
Copper	3	2
Coal	7	5
Platinum	3	2
Other mining	6	3
Industrial	19	19
Finance	10	15
Property	2	1
Oil and gas	2	—
	100	100

FEATURES OF THE ACCOUNTS

Year ended 31 December	*1976 R000*	*1975 R000*
Issued share capital in 131,725,300 ordinary shares of 10 cents each and R4,758,750 six per cent cumulative preferred stock	17,931	17,926
Non-distributable reserve and share premium	81,036	81,285
Distributable reserves	367,104	344,970
Loan capital	60,038	60,128
Group profit before taxation	93,865	92,057
Taxation	4,647	4,350
Equity earnings	85,992	84,428
Earnings per ordinary share	65.3 cents	64.1 cents
Dividends (ordinary) – amount	43,465	43,449
– per share	33 cents	33 cents
Market value of listed investments	934,221	997,842
Directors' valuation of unlisted investments	168,059	235,246
Net asset value*	1,037,300	1,142,100

**includes investments at market value or directors' valuation*

Anglo American Corporation do Brasil Limitada

Anglo American Corporation do Brasil is a member of the Anglo American Corporation group established to invest in the mining industry and to search for mineral deposits. It is conducting a widespread exploration programme throughout Brazil and is continuing its investigation in depth of the gold prospect at Jacobina in Bahia. It has a 49 per cent interest in Mineração Morro Velho S.A. which owns a group of producing gold mines in the state of Minas Gerais.

Anglo American Corporation of Canada Limited

The company (AMCAN), a member of the Anglo American Corporation group, is a mining and industrial investment company with direct and indirect interests in copper, zinc, cadmium, gold, silver, potash, chemicals, oil and gas, and prospecting operations.

AMCAN's major asset is its holding in Hudson Bay Mining and Smelting Co. Limited whose earnings before extraordinary items declined from C$14.8 million to C$2.8 million in 1976, chiefly because of weak markets for metals and fertilizers and increased operating costs. After deducting extraordinary items, largely attributable to its 55 per cent holding in Francana Oil & Gas Ltd, Hudson Bay incurred a loss of C$8.3 million. In April 1977 Hudson Bay sold its potash assets in Saskatchewan for C$144 million in cash.

AMCAN's substantial loss for the year was due mainly to provision for a possible decline in the value of its investment in Lytton Minerals Limited and to the extraordinary loss incurred by Francana Oil & Gas in writing down the investment in Trend International Limited.

At 31 December 1976 AMCAN's principal investments were:

	Percentage (direct)
Francana Oil & Gas Ltd	28.3
Hudson Bay Mining and Smelting Co. Limited	38.1
Lytton Minerals Limited	33.9
Tombill Mines Limited	50.7
Whitehorse Copper Mines Limited (joint venture)	16.7

In January 1977 AMCAN acquired Hudson Bay's one-sixth interest in the Whitehorse joint venture and thereby increased its interest to 33.3 per cent.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1976 C$000	1975 C$000
Issued capital in 6,319,614 'A' and 3,609,931 'B' shares of no par value	101,085	101,085
Retained earnings	32,701	49,703
Income less expenses	3,659	6,741
Provision for taxation	1,643	618
Provision for losses on investments less gains on realization	(4,709)	1,376
Share of losses of effectively controlled companies	(12,490)	(2,482)
Net income (loss)*	(14,166)	5,702
Net income (loss) per share*	(C$1.43)	57 cents
Dividends – amount	3,972	3,972
– per share	40 cents	40 cents
Market value of listed investments	83,648	79,821
Book or equity cost of unlisted investments	2,348	7,148

Year ended 31 December	1976 C$000	1975 C$000
Net asset value†	93,388	87,056
Net asset value per share†	C$9.41	C$8.76

*after extraordinary items
†includes listed investments at market value and unlisted investments at lower of cost or directors' valuation

Anglo American Investment Trust Limited

The company (ANAMINT) is the principal holding company for the diamond interests of the Anglo American Corporation group, having 26.37 per cent of De Beers Consolidated Mines Limited and shareholdings in certain diamond trading companies.

At Kimberley, De Beers Consolidated Mines owns the De Beers and Wesselton mines and leases the Dutoitspan and Bultfontein mines from subsidiary companies. It also operates the Finsch mine north-west of Kimberley and the Koffiefontein mine in the Orange Free State, and is mining on the farms Annex Kleinzee and Dreyers Pan in Namaqualand. De Beers Botswana Mining Company (Proprietary) Limited, owned jointly by De Beers and the Botswana government, operates the Orapa mine and the nearby Letlhakane mine, commissioned in November 1976. The new diamond mine at Letseng-la-Terai, in which De Beers and the Lesotho government have interests of 75 per cent and 25 per cent respectively, was brought to production in the first quarter of 1977.

The De Beers company's wholly owned mining subsidiaries are The Consolidated Diamond Mines of South West Africa (Proprietary) Limited, Premier (Transvaal) Diamond Mining Company (Proprietary) Limited, and Sea Diamond Corporation (Proprietary) Limited. Other subsidiaries of De Beers include The Diamond Corporation (Proprietary) Limited, a diamond purchasing company, and The Diamond Purchasing and Trading Company (Proprietary) Limited, marketing gem and near-gem diamonds, in which ANAMINT has a direct shareholding.

In spite of the slow recovery from recession by the major industrial economies, total sales by the Central Selling Organisation in the year to 31 December 1976 were 46 per cent higher at US$1,555 million (R1,352 million), principally because of the vigorous demand for small diamonds, particularly in the United States. The consolidated net profit of De Beers rose from R220.1 million in 1975 to R308.5 million in 1976, and dividends on the deferred shares were increased by seven cents to 35 cents a share.

De Beers also has important mining, financial, and industrial investments through its 33.12 per cent holding in Anglo American Corporation of South Africa Limited and through its subsidiary De Beers Industrial Corporation Limited.

FEATURES OF THE ACCOUNTS

	Year ended 31 March 1977 R000	Fifteen months ended 31 March 1976 R000
Issued share capital in 10,000,000 ordinary shares of 50 cents each and 2,500,000 six per cent cumulative preference shares of R2 each	10,000	10,000
Distributable reserves	48,894	46,071
Profit before taxation	44,243	50,162*
Taxation	120	208
Profit after taxation and preference dividends	43,823	49,654
Earnings per ordinary share	438 cents	497 cents
Dividends (ordinary) – amount	41,000	30,500
– per share	410 cents	305 cents
Market value of listed investments	398,345	308,505
Directors' valuation of unlisted investments	47,943	50,425
Net asset value†	446,800	356,600
Net asset value per ordinary share†	R44.68	R35.66

** reflects income from three dividends from De Beers*
† includes investments at market value or directors' valuation

Australian Anglo American Limited

Australian Anglo American (AAA) is a holding company owned by the Anglo American Corporation group, Minerals and Resources Corporation Limited, and Charter Consolidated whose business is to seek investment opportunities in the Australian mining industry and to explore for mineral deposits in Australia and neighbouring regions. Through its subsidiary Mulga Mines Proprietary Limited AAA has a beneficial interest of approximately 77 per cent in the Blue Spec gold and antimony mine in Western Australia which commenced production in the first half of 1976.

FEATURES OF THE ACCOUNTS

Year ended 30 June	1976 A$000	1975 A$000
Issued capital in ordinary shares of 50 cents each	18,000	18,000
Capital reserve and share premium	5,314	2,970
Group profit (loss) after taxation	88	(3,994)

Beralt Tin and Wolfram Limited

The company owns 80.55 per cent of Beralt Tin & Wolfram (Portugal) S.A.R.L. which operates a mine and plant in central Portugal producing concentrates of wolfram, tin, and copper.

Production of wolfram concentrates declined from 1,742 tonnes in 1975 to 1,597 tonnes in 1976. Sales, including some disposals of stocks, fell from 1,882 to 1,731 tonnes, but the substantial rise in the price of wolfram during the year led to an increase in turnover from £6.3 million to £8.6 million.

Further funds accruing from the Portuguese operating company's earnings in 1974 enabled the company to pay an interim dividend of 1p per share in July 1976. A second interim dividend of 3p per share was paid in December 1976 following receipt of the company's full share of the operating company's 1975 earnings.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1976 £000	1975 £000
Issued share capital in ordinary shares of 25p each	2,869	2,869
Capital reserve	730	334
General reserve and retained earnings	2,980	2,225
Consolidated profit before taxation	2,572	1,427
Taxation	694	426
Consolidated net profit attributable to Beralt before extraordinary items	1,4[illegible]1	730
Earnings per share	12.47p	6.36p
Extraordinary items	172	195
Consolidated net profit after extraordinary items and appropriation to statutory reserve	1,21[illegible]	867
Dividends – amount	459	201
– per share	4p	1.75p

Blyvooruitzicht Gold Mining Company Limited

The company, a member of the Barlow Rand group, operates a gold mine in the Transvaal which recovers uranium oxide, silver, and osmiridium as by-products.

There was some increase in the tonnage milled in the year to 30 June 1976, but a fall in the yield from 14.40 to 12.79 grams per tonne led to a decline in gold produced. Working expenditure rose by about 20 per cent, due mainly to higher wages and costs of stores and materials. As a result of these factors, together with the marginally lower average price received for gold in terms of rand, working profit from gold dropped substantially. There was a small loss on uranium operations, the entire output being used to repay uranium borrowed in previous years from another producer. Total working profit fell by R17.5 million to R50.2 million.

FEATURES OF THE ACCOUNTS

Year ended 30 June	1976 R000	1975 R000
Issued share capital in shares of 25 cents each	6,000	6,000
Appropriations for expenditure on mining assets	83,031	73,682
Distributable reserves	9,822	9,533
Profit before taxation and state's share of profits	52,851	70,462
Taxation and state's share of profits	24.670	39,608
Profit after taxation and state's share of profits	28,181	30,854
Dividends – amount	18,000	24,000
– per share	75 cents	100 cents

Botswana RST Limited

The company (BRST) has an interest of 85 per cent in Bamangwato Concessions Limited (BCL), a company conducting a copper/nickel mining operation at Selebi-Pikwe in Botswana. The remaining 15 per cent interest in BCL is held by the Botswana government.

The first phase of the Selebi-Pikwe project, which includes mining at Pikwe and smelting and concentrating facilities for the whole project, has been completed, and the second phase, comprising underground mine development at Selebi, is expected to be completed during 1979. Production for the year rose from 16,513 to 32,506 tonnes of copper/nickel matte.

BCL significantly improved its performance during the year by achieving an operating profit of P0.3 million compared with a loss in 1975 of P15.2 million. However, after charging interest payable and losses on exchange, the net loss for the year was P25.7 million (1975 – P38.5 million). Progress continues on proposals for the restructuring of BCL's financial and marketing arrangements to reduce the high burden of interest, but even if these proposals are implemented it is likely to be some time before BCL will be able to generate a positive cash flow after making third party loan repayments.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1976 P000	1975 P000
Issued share capital in shares of P2 each	35,959	35,959
Share premium	838	838
Long term loans	227,295	203,196
Loss attributable to BRST	29,394	33,241

The currency of Botswana is the pula.

Cape Industries Limited

Based in the United Kingdom, the Cape Industries group manufactures building and insulation products and friction materials, undertakes insulation contracting, and distributes components for the automotive industry. It also mines asbestos fibre in South Africa and sells it world wide.

The group had another successful year, with all divisions contributing to a rise in turnover from £107.0 million in 1975 to £133.1 million in 1976 and an increase in profit before tax of £4.0 million, of which approximately £1.5 million arose from currency conversion gains. The tax charge as a percentage of profit was much higher than in recent years due mainly to an increased rate of South African tax, higher dividend remittances from overseas, and prior year adjustments. Net profit after extraordinary items rose by 26 per cent.

The building and insulation division increased its insulation contracting operations, but with the recession in the United Kingdom construction industry the market for most building materials remained depressed. Cape Contracts Limited had an excellent year, with major insulation work in hand for the power, petrochemical, and marine industries.

In the automotive and engineering division, there was a substantial increase in the profit from manufacturing operations, attributable largely to a sharp rise in export sales. However, the results of Cape Distribution Limited were disappointing, with the replacement market for automotive parts quiet, and overheads tending to increase disproportionately to sales.

The mining division performed well, though the demand for amosite fibre weakened towards the end of the year.

FEATURES OF THE ACCOUNTS

Year ended 31 December	1976 £000	1975 £000
Issued share capital in 24,003,260 ordinary shares of 25p each and 250,000 3½ per cent cumulative preference shares of £1 each	6,251	6,251
Reserves and share premium	37,613	30,315
Loan capital (6¼ per cent and 7¾ per cent debenture stocks and 7¼ per cent unsecured loan stock)	6,059	6,059
Consolidated profit before taxation	14,204	10,195
Taxation	7,015	4,080
Profit after taxation and extraordinary items	7,091	5,610
Earnings per ordinary share*	29.9p	29.6p
Dividends (ordinary) – amount	1,764	1,488
– per share	7.3474p	6.6795p

**calculated on profit before extraordinary items; 1975 figure calculated on weighted average of 20,645,858 ordinary shares in issue during the year*

Covenant Industries Limited

The company, which is jointly owned by Charter Consolidated and associates and by Imperial Chemical Industries Limited, imports and markets chemicals and related products and manufactures and formulates agricultural chemicals, paints, and commercial explosives. It operates mainly in Kenya, Nigeria, Tanzania, and Zambia.

The consolidated profit after taxation increased to £2.2 million in the year ended 30 September 1976 from £1.6 million in the previous year. This increase mainly arose in the company's 60 per cent owned Nigerian subsidiary, where trading opportunities continued to expand due to Nigeria's oil revenue.

There are exchange control restrictions, in all the countries where Covenant's subsidiaries trade, on the amount of profit which can be remitted to the United Kingdom.

FEATURES OF THE ACCOUNTS

Year ended 30 September	*1976* £000	*1975* £000
Issued share capital in ordinary shares of £1 each	92	92
Shareholders' loan	306	306
Reserves	8,868	4,946
Consolidated profit before taxation	5,763	3,793
Taxation	2,650	1,714
Consolidated profit after taxation and minorities	2,263	1,631
Dividends	335	165

Harmony Gold Mining Company Limited

The company, a member of the Barlow Rand group, mines for gold in the Orange Free State. Silver and osmiridium are recovered as by-products, and uranium oxide, pyrite, and sulphuric acid are also produced.

Additional ore was milled in the year to 30 June 1976 but this was drawn as planned from the lower grade sections and resulted in a drop in yield from 6.01 to 5.26 grams per tonne and consequent decline in working revenue. The average price received for gold dropped from US$164.5 to US$126.5 per ounce, but as a result of the devaluation of the rand in September 1975 the average local price received was only marginally lower. However, there was a steep increase in working costs from R65.9 million to R83.0 million, and working profit from gold fell sharply from R46.0 million to R19.9 million. Higher sales and an improved price led to a substantial rise in the profit from uranium from R2.4 million to R4.8 million.

To conserve the company's cash resources and facilitate completion of the capital expenditure programme to expand the productive capacity of the mine, no dividend was declared in September 1976.

FEATURES OF THE ACCOUNTS

Year ended 30 June	*1976* R000	*1975* R000
Issued share capital in shares of 50 cents each	13,442	13,442
Appropriations for expenditure on mining assets	142,709	119,681
Distributable reserves	14,399	22,276
Consolidated profit before taxation and state's share of profits	36,511	50,033
Taxation and state's share of profits	3,462	13,177
Consolidated profit after taxation and state's share of profits	33,049	36,856
Dividends – amount	17,475	20,701
– per share	65 cents	77 cents

Haw Par Brothers International Limited

The company, which is incorporated in Singapore, operates in Singapore, Malaysia, and Hong Kong. Its principal activities are direct and indirect investment in trading, manufacturing, insurance, property, rubber, palm oil, marine transportation, merchant banking, and pharmaceutical products.

The operating losses experienced by the company in 1976 reflected adverse trading conditions during the year, particularly for the marine division. The extraordinary items charged to the profit and loss account included foreign exchange losses of S$5.5 million, a deficit on revaluation of properties of S$13.4 million, and a deficit on revaluation of ships of S$7.2 million.

FEATURES OF THE ACCOUNTS

Year ended 31 December	*1976* S$000	*1975* S$000
Issued share capital in ordinary shares of S$1 each	106,973	106,970
Consolidated loss before taxation	9,770	18,695
Taxation	2,252	2,848
Consolidated loss after taxation	12,022	21,543
Consolidated loss after taxation and extraordinary items	48,197	34,368
Net asset value*	110,642	145,130
Net asset value per share*	S$1.03	S$1.36
Dividends	nil	nil

**includes investments at book value*

Minerals and Resources Corporation Limited

Minerals and Resources Corporation (MINORCO), a member of the Anglo American Corporation group, is a Bermudian based mining and industrial investment company whose purpose is to invest in natural resources and industrial projects throughout the world.

MINORCO has an interest of about 30 per cent in Engelhard Minerals & Chemicals Corporation (EMC), a United States company marketing ores, minerals, and metal; refining, processing, and fabricating precious metals; and mining and processing non-metallic minerals. In spite of the world-wide downturn in mineral and metal prices, EMC's net earnings rose to US$114.7 million in 1975, and in 1976 reached a record level of US$124.9 million.

Through Trend International Limited, MINORCO has an interest of just over 43 per cent in Trend Exploration Limited, an oil and gas exploration company operating principally in Indonesia and North America. Trend has a 27 per cent interest in and acts as operator of a joint venture consortium which has a production sharing contract with Pertamina, the Indonesian state oil agency. In August 1976 Trend was obliged to sign an agreement with Pertamina amending the terms of that contract, and these amendments are likely to cause a material reduction in Trend's cash flow and earnings from 1977. As a result of the lower evaluation of recoverable oil and the changes in the production sharing contract, the investment in Trend is to be written down by US$26.0 million.

MINORCO holds just under 50 per cent of Zambia Copper Investments Limited (ZCI). Neither of ZCI's two principal investments, Nchanga Consolidated Copper Mines Limited (49 per cent held) and Roan Consolidated Mines Limited (12.25 per cent held), has declared a dividend since the September quarter of 1974, and ZCI continues to be affected by Zambia's foreign exchange difficulties which prevent the externalization of dividends declared by those companies for their financial years 1974-5. ZCI showed a loss after taxation of US$0.3 million for the year to 30 June 1976, compared with a profit of US$15.8 million for the previous year.

MINORCO has a holding of 15 per cent in Inspiration Consolidated Copper Mines (ICC), whose principal activity is the production and sale of copper from its operations in the American state of Arizona. As a result of the low demand for copper, ICC reduced its output to two thirds of capacity and incurred a loss during 1975 of US$3.9 million. With some improvement in the copper price, ICC showed a small profit for the year to 31 December 1976.

FEATURES OF THE ACCOUNTS

Year ended 30 June	*1976*	*1975*
	US$000	*US$000*
Issued share capital in 31,668,899 ordinary, 41,910,618 'A' ordinary*, and 8,572 deferred shares of BD$1.40 each	103,023	103,023
Capital reserve and share premium	200,153	199,738
Loan stock	5,017	5,017
Prospecting reserve	3,210	4,677
Revenue reserves	47,484	47,555
Consolidated profit before taxation	7,137	10,810
Foreign taxation	193	376
Consolidated profit after taxation	6,944	10,434
Market value of listed investments	363,203	279,638
Book cost of unlisted investments	81,876	81,796
Dividends (ordinary) – amount	633	4,434
– per share	2 cents	14 cents
Dividends ('A' ordinary)		
– amount	7,717	5,892
– per share	18.41 cents	14.06 cents
Net asset value†	487,500	409,000

**redesignated as ordinary shares on 16 October 1976*
†includes listed investments at market value and unlisted investments at book value

The Rio Tinto-Zinc Corporation Limited

The Rio Tinto-Zinc Corporation (RTZ) and its subsidiary companies is a British-based international group of mining and industrial companies with interests in almost every major metal and fuel, including aluminium and its products, borax, coal, copper, gold, industrial and agricultural chemicals, iron ore, lead, oil, silver, specialty steels, tin, uranium, and zinc.

Net profit attributable to RTZ reached a record level in 1976, the chief reasons for the increase being the higher level of metal prices and the increase in sales by the group's operating companies from £1,184.0 million in 1975 to £1,672.5 million. Exemption from the dividend restriction legislation enabled the company to increase its ordinary dividend by nearly 50 per cent.

Conzinc Riotinto of Australia Limited (CRA) (72.6 per cent owned by RTZ) is the holding company for most of the RTZ group's interests in Australia, New Zealand, and Papua New Guinea, as well as having considerable interests in Europe. The earnings of Bougainville Copper Limited (53.6 per cent owned by CRA) in 1976 were lower than in 1975 due mainly to the lower average price of gold and the rise in production costs. Hamersley Iron Pty Limited (54 per cent owned by CRA) considerably improved its trading results, principally because of an increase in the volume of ore shipped, enhanced by higher selling prices in the last quarter of the year. Australian Mining & Smelting Limited (which became a wholly owned subsidiary of CRA during the year) improved its earnings in 1976 owing to increased sales of lead and zinc and the higher average Australian dollar price realized for lead. The profit of Comalco Limited (45 per cent owned by CRA), with interests in bauxite, alumina, and aluminium, was appreciably higher in 1976, an improvement in market conditions being reflected in a rise in sales which compensated for the effect of higher costs.

RTZ has a 51.3 per cent interest in Rio Algom Limited, a Canadian company with interests in copper and uranium mining and in stainless and specialty steels. Lornex Mining Corporation Ltd (66.5 per cent owned by Rio Algom) contained its unit operating costs through improved operating efficiencies and higher production, and an increase in the average price realized for copper resulted in pre-tax earnings considerably higher than in 1975. Earnings from uranium oxide production at Elliot Lake were reduced because lower ore grades and substantially higher operating costs could not be fully offset by adjustments in prices. RTZ holds 66.2 per cent of Brinco Limited, whose principal interest is in mineral exploration in North America.

Through its wholly owned subsidiary Rio Tinto South Africa Limited, RTZ has a 38.9 per cent holding in the copper producer Palabora Mining Company Limited and a 45.5 per cent holding in Rössing Uranium Limited, where plant commissioning problems have delayed the achievement of full design output, possibly until mid-1978. The wholly owned subsidiary R.T.Z. Borax Limited, with interests in borax, potash, and industrial and agricultural chemicals, significantly increased its turnover and earnings in 1976.

Also wholly owned by RTZ, R.T.Z. Industries Limited is the holding company for many of RTZ's light industrial activities, particularly in the United Kingdom, North America, and Australia. Its chief interests are in products made of aluminium, steel, glass, and wood, and in tin smelting and light engineering. The RTZ Industries group had a successful year in spite of difficult and depressed conditions in nearly all the countries in which it operated, and its results showed a substantial improvement.

Through membership of the Hamilton Brothers consortium, R.T.Z. Oil and Gas Limited, a wholly owned subsidiary of RTZ, has a 25 per cent interest in the Argyll oil field in the United Kingdom sector of the North Sea where production exceeded eight million barrels in 1976.

FEATURES OF THE GROUP ACCOUNTS

Year ended 31 December	*1976*	*1975*
	£000	*£000*
Issued share capital of RTZ in 239,604,568 ordinary shares of 25p each, 10,724,849 accumulating ordinary shares of 25p each, and 7,732,967 3.325 per cent 'A' and 3,143,750 3.5 per cent 'B' cumulative preference shares of £1 each	73,400	73,300
Capital reserves and share premium	202,300	174,400
Revenue reserves	386,600	309,800
Loan capital	357,800	326,100
Profit before taxation	278,800	153,700
Taxation	131,300	68,700
Net profit attributable to RTZ shareholders before extraordinary items	81,300	38,600
Earnings per ordinary share of RTZ	32.34p	15.57p
Extraordinary items	10,400	22,300
Dividends (ordinary) – amount	19,200	12,900
– per share	8p	5.42p

Rustenburg Platinum Holdings Limited

The company's revenue consists almost entirely of dividend income from Rustenburg Platinum Mines Limited (RPM), which operates three platinum mines in the Transvaal. On 31 August 1976 the company (RPH) changed its name from Union Platinum Mining Company Limited, and RPM and Potgietersrust Platinums Limited became its wholly owned subsidiaries.

Although industrial demand for platinum was weak during most of the financial year to August 1976, sales by RPM were slightly higher than in the previous financial year due principally to a substantial increase in sales made to the automobile industry for use in emission control devices. The modest rise in sales revenue was more than offset by higher costs, and there was a sharp decline in the profit after tax. Production is gradually being stepped up from 0.9 million to 1.1 million ounces per annum. The rate of expansion is being determined by developments in the market.

FEATURES OF THE ACCOUNTS

Year ended 31 August	*1976*	*1975*
	R000	*R000*
Issued share capital in shares of 10 cents each	12,300	12,300
Non-distributable reserves	245,100	230,900
Distributable reserves	2,900	100
Consolidated profit before taxation	44,100	52,900
Taxation	7,200	5,700
Consolidated profit after taxation	36,900	47,200
Dividends	12,300*	6,100†

**10 cents per share declared by RPH plus interim dividends declared by other former shareholding companies of RPM*

†final dividends declared by all shareholding companies of RPM

Selection Trust Limited

The company and its subsidiaries form a British-based mining finance group with net assets valued at 31 March 1976 at £180 million. Its main business is investment and participation in mining enterprises and the conduct of its own mining and minerals exploration ventures, giving rise to interests in a wide range of metals and minerals, principally in Australia, North America, and Africa, and to interests related to North Sea oil and gas.

In the year to 31 March 1976 the company concentrated largely on the further development of existing activities and the reorganization of its additional interests following the merger with Consolidated African Selection Trust Limited at the end of the previous year. In Western Australia arrangements have been completed to enable the Agnew nickel project to proceed to production late in 1978 at an initial rate of 10,000 tonnes per annum. In the North Sea the Noordwinning group's K/13 gas field, in which the company has a 5.55 per cent interest, was brought to production in February 1976 and is producing its scheduled 120 million cubic feet per day.

At the Mt Newman iron ore project in Western Australia, costs were increased by the high rate of Australian inflation but improved efficiencies and higher prices helped to maintain margins. The net proceeds derived by the Selection Trust group from its five per cent direct interest amounted to £2.67 million. In Canada, the South Bay copper/zinc/silver mine in north-western Ontario was affected by lower tonnage throughput and reduced copper prices and suffered a fall in profit from C$4.6 million to C$2.9 million. Exploration work continued on the Detour copper/zinc/silver discovery in Quebec.

The company has a significant interest in AMAX Inc., a diversified natural resources company operating internationally. Sales by AMAX for the year to 31 December 1976 rose to US$1,170.5 million, compared with US$962.1 million in the previous year, due chiefly to higher sales of molybdenum, base metals, and coal. Net earnings increased from US$134.4 million in 1975 to US$150.1 million.

Selection Trust's other principal equity investment interests are in Southvaal Holdings Limited, Tsumeb Corporation Limited, Western Mining Corporation Limited, and Unisel Gold Mines Limited, a company in the Union Corporation group engaged in the development of a gold mine in the Orange Free State. In June 1976 the company acquired a 90 per cent interest in Alexander Shand (Holdings) Limited, whose principal business is contract coal mining and civil and mechanical engineering and building.

The total revenue of the group for the year to 31 March 1976 rose from £18.3 million to £21.0 million, the fall in the profit from operations being more than offset by the increase in realization profits and by the higher dividend income arising mainly from the inclusion for the first time of dividends from the diamond mining interests in Ghana and Sierra Leone. In the half-year to 30 September 1976 there was a substantial increase in operating profit compared with the half-year to September 1975, attributable primarily to inclusion of the figures from the Shand group and revenue from the company's participation in the K/13 gas operation. Profit after taxation rose from £1.9 million to £4.0 million.

FEATURES OF THE ACCOUNTS

Year ended 31 March	*1976*	*1975*
	£000	*£000*
Issued share capital in 23,172,678 ordinary shares of 25p each fully paid and 24,444 ordinary shares of 25p each (5.625p paid)	5,794	5,794
Capital reserve and share premium	35,793	36,285
General reserve and unappropriated profits	14,855	10,757
Consolidated profit before taxation	12,214	10,565
Taxation	5,991	4,490
Consolidated net profit (before extraordinary item)	6,565	5,080
Earnings per share	28.3p	24.9p
Dividends – amount	3,522	3,105
– per share	15.2p	14p
Net asset value*	180,721	176,229
Net asset value per share*	£7.80	£7.60

**includes investments at market value or directors' valuation*

Tara Exploration and Development Company Limited

The company, which is incorporated in Canada, owns 75 per cent of Tara Mines Limited, which is completing development of an underground lead/zinc mine at Navan in the Republic of Ireland at a cost within the US$150 million arranged. Production commenced in June 1977, and at its planned capacity the mine is expected to provide some 2.5 million tons of ore annually to the concentrator, giving rise to an output of 500,000 short tons of zinc and lead concentrates.

Union Corporation Limited

Union Corporation is a mining finance company whose main interests are in the South African gold mining industry and in mining and refining of platinum group metals, nickel, and copper. Other interests of the group are in paper, together with packaging and printing; shipping; and construction. It administers a South African investment company with interests in mining, finance, and property, and explores for mineral deposits, including oil and natural gas. General Mining and Finance Corporation Limited controls 50.1 per cent of the share capital.

At the gold mines in the group working costs rose by 16 per cent in 1976 and the average price received for gold fell by seven per cent. Dividends were sharply reduced and the corporation's income from gold fell by R6 million. Dividends from base metal interests were also lower, but there was a recovery in the income derived from platinum. Impala Platinum Limited made a satisfactory profit in spite of the depressed market for platinum, and increased its dividend from 30 cents to 75 cents per share. The anticipated capital cost of bringing Unisel Gold Mines Limited to production in 1978 rose steeply and is now estimated at R61 million, excluding certain items (currently estimated to amount to R9 million) which are to be financed from working profit after the start of production.

During the year measures were implemented to simplify the structure of the group. Shares in the corporation were issued in exchange for those in Geduld Investments Limited which became a wholly owned subsidiary, and a number of associated companies also became subsidiaries. The corporation's attributable profit includes the amount of R6.6 million representing Union Corporation's share of profit retained by these companies.

FEATURES OF THE ACCOUNTS

Year ended 31 December	*1976* *R000*	*1975* *R000*
Issued share capital in ordinary shares of 6.25 cents each	3,805	3,631
Non-distributable reserves and share premium	93,119	79,463
Distributable and exploration reserves	114,952	78,499
Consolidated profit before taxation	77,223	36,481
Taxation	20,420	1,617
Consolidated profit after taxation attributable to ordinary shareholders	39,195	34,864
Earnings per share	64 cents	60 cents
Dividends – amount	21,648	24,402
– per share	36 cents	42 cents
Market value of listed investments	212,654	310,898
Directors' valuation of unlisted investments	96,039	90,042
Net asset value*	413,307	418,473
Net asset value per share*	R6.79	R7.20

*includes investments at market value or directors' valuation

General Information

Directors' interests

The following are the interests of the directors of the company who held office on 31 March 1977 as notified to the company in terms of the Companies Act 1967:

DIRECTORS	FULLY PAID SHARES OF 25p EACH 1 April 1976	31 March 1977
P. C. D. Burnell	100*	100*
C. A. Carey-Smith	100*	100*
J. N. Clarke	100*	100*
J. E. H. Collins	100*	100*
R. H. Dent	1,155*	1,155*
H. R. Fraser	100	100
J. O. Hambro	1,131*	1,131*
	1,745	1,745
M. B. Hofmeyr	100	100
H. F. Oppenheimer	5,000,100†	5,000,100†
Sir Philip Oppenheimer	9,798*	9,798*
B. W. Pain	100	100
G. W. H. Relly	500*	500*
	100	100
J. G. Richardson	100*	100*
S. Spiro	100	100
L. G. Stopford Sackville	4,750*	4,750*
H. J. Stucke	100*	100*
M. W. Thomas	100*	100*
J. Ogilvie Thompson (appointed 22 April 1976—nil)		100
W. D. Wilson	100	100
ALTERNATE DIRECTORS		
R. J. Armitage	nil	nil
F. J. A. Howard	nil	nil
A. E. Oppenheimer	nil	nil
A. J. W. Owston	nil	nil

*these interests are beneficially owned; the remainder are not beneficially owned

†of which 5,000,000, being shares held by a body corporate, are notified pursuant to section 28(2) of the Companies Act 1967

Of these directors and alternate directors, the following had beneficial interests in the partly paid shares of the company issued under its share incentive scheme, the effect of which was to enable executive directors and senior employees to subscribe for shares which, after a qualifying period, could be fully paid up at a price determined at the time of subscription:

	PARTLY PAID SHARES OF 25p EACH 1 April 1976	31 March 1977
P. C. D. Burnell	7,500	7,500
J. N. Clarke	7,500	7,500
B. W. Pain	12,500	12,500
J. G. Richardson	10,000	10,000
L. G. Stopford Sackville	10,000	10,000
R. J. Armitage	7,500	7,500
A. J. W. Owston	6,000	6,000

Mr R. H. Dent also had a beneficial interest in 4,750 ordinary shares of 25p each in Cape Industries Limited, a subsidiary of the company, at 1 April 1976 and 31 March 1977.

Between the end of the financial year and 23 May 1977, being one month prior to the date of the notice of annual general meeting, Mr H. F. Oppenheimer ceased to have an interest in 5,000,000 fully paid shares of the company held by a body corporate, consequent upon the transfer of those shares in terms of the merger between Anglo American Corporation of South Africa Limited and Rand Selection Corporation Limited. Mr L. G. Stopford Sackville's interest in the fully paid shares of the company was reduced to 4,000 following the disposal of 750 shares by a member of his family.

There were no contracts or arrangements subsisting during the financial year which require to be disclosed in terms of section 16(1)(c) of the Companies Act 1967 as interpreted by the Council of The Stock Exchange.

Substantial shareholding

Anglo American Corporation of South Africa Limited and its associated companies held an interest of 35.8 per cent in the issued share capital of the company at 23 May 1977.

Taxation

(i) Capital gains tax

The market price of the company's shares on 6 April 1965 was:

Registered shares—98.75p

Shares represented by renounceable letters of allotment—100p

Share warrants to bearer—100p

(ii) The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970 and this position has not changed since the end of the financial year.

Turnover

The following is an analysis of the turnover shown in note 5 on the accounts and the amount of profit attributable to each different class of business undertaken by the group's manufacturing subsidiaries:

	Turnover £000	Contribution to group trading profit before taxation £000
Building and insulation products	65,896	4,496
Automotive and engineering products	34,997	1,633
Mining and sale of asbestos fibre	34,771	9,831
Railway track fastenings and mine roof bolting systems	13,800	1,831
Heating and catering equipment	11,997	926
Coal mining	1,104	219
	162,565	18,936
Deduct: Sales between different classes of business	2,552	—
	160,013	18,936

Areas to which external sales were made	£000
United Kingdom	91,352
Rest of Europe	27,717
South Africa	17,001
Australasia	13,144
North and South America	9,695
Rest of Africa	1,104
	160,013

Geographical analysis of trading profit	£000
United Kingdom	7,678
Rest of Europe	883
South Africa	8,919
Australasia	739
North and South America	497
Rest of Africa	220
	18,936

Exports

The aggregate value of goods exported by the group's United Kingdom manufacturing subsidiaries during the year was £18,692,000.

Number and remuneration of employees

The average number of employees per week of the company and its subsidiaries working wholly or mainly in the United Kingdom was 9,544 during the year. The aggregate amount of the remuneration paid to such employees during the year was £33,141,000.

Political and charitable contributions

Contributions for political purposes during the year amounted to £1,000, consisting of one payment made through a subsidiary company to British United Industrialists.

Contributions for charitable purposes made by the company and its subsidiaries during the year totalled £47,000.

Procédure permettant aux détenteurs de certificats d'actions au porteur d'assister à une assemblée générale

Les détenteurs de certificats d'actions au porteur désirant assister en leur qualité de membre à une assemblée générale, sont tenus de déposer leurs certificats d'actions trois jours ouvrables francs au moins avant la date de l'assemblée au bureau du directeur du registre de la société au Royaume-Uni ou à ceux des agents de la société à l'étranger.

Les administrateurs acceptent qu'à la place du certificat d'actions soit déposée une attestation* délivrée par un 'dépositaire autorisé' ou par toute autre personne déclarant avoir reçu le dépôt du certificat d'actions. Le dépositaire autorisé ou la personne habilitée doit s'engager à ne remettre le certificat d'actions au déposant que contre remise de l'attestation de dépôt et d'engagement.

La société remettra au déposant d'un certificat d'actions ou d'une attestation de dépôt et d'engagement une carte d'admission portant ses nom et adresse, de même que le nombre d'actions représenté par le certificat correspondant. Cette carte lui permettra, de ce fait, d'assister et de voter en personne ou par mandataire à une assemblée générale.

*des formulaires peuvent être obtenus auprès des bureaux indiqués ci-dessus

MM. les actionnaires peuvent se procurer des exemplaires des conditions régissant les certificats d'action au porteur en s'adressant soit au siège social ou au bureau du directeur du registre de la société, soit aux bureaux des agents de la société aux adresses suivantes: Crédit Lyonnais, 19 boulevard des Italiens, 75002 Paris; Banque Rothschild, 21 rue Laffitte, 75009 Paris.

Procedure for holders of share warrants to bearer to attend a general meeting

Holders of share warrants to bearer wishing to attend as members at a general meeting must deposit their share warrants at least three clear normal business days before the meeting at the offices of the company's registrars in the United Kingdom or any of the company's overseas paying agents.

The directors may accept in lieu of the deposit of a share warrant a certificate* from an authorized depositary or other approved person to the effect that the share warrant has been deposited with him. The authorized depositary or approved person must give an undertaking not to surrender the share warrant to the depositor except against return of the certificate of deposit and the undertaking.

The company will deliver to the person depositing a share warrant, or certificate of deposit and an undertaking, an admission card stating his name, address, and the number of shares represented by the relative warrant to enable him to attend and vote in person or by proxy at a meeting.

*forms are available from the abovementioned offices

Copies of the conditions governing share warrants to bearer are available from the registered office of the company and the office of its registrars in the United Kingdom, and from the company's overseas paying agents, Crédit Lyonnais, 19 boulevard des Italiens, 75002 Paris, and Banque Rothschild, 21 rue Laffitte, 75009 Paris.

MM. les actionnaires sont informés qu'ils peuvent se procurer un exemplaire en français de ce rapport en s'adressant soit à Charter Consolidated Limited, 40 Holborn Viaduct, London EC1P 1AJ, soit à Charter France, 9 rue de Vienne, 75008 Paris, soit à Crédit Lyonnais, 19 boulevard des Italiens, 75002 Paris, soit à la Banque Rothschild, 21 rue Laffitte, 75009 Paris.

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