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Charter Consolidated Limited

Annual Report and Accounts 1966

CHARTER CONSOLIDATED LIMITED Incorporated in England

Annual Report and Accounts

for the Year ended 31st March 1966

Offices

UNITED KINGDOM
40 Holborn Viaduct, London EC1 (*Registered*)
7 Rolls Buildings, Fetter Lane, London EC4

REPUBLIC OF SOUTH AFRICA
44 Main Street, Johannesburg

RHODESIA
70 Jameson Avenue Central, Salisbury C4

Contents

Directorate

Chairman

P. V. Emrys-Evans*

Deputy Chairmen

S. D. H. Pollen, MBE, TD*
The Hon. H. V. Smith*
W. D. Wilson *Managing Director**

Directors

Sir Keith Acutt, KBE
A. Chester Beatty
Comte T. de Feuilhade de Chauvin
J. E. H. Collins, MBE, DSC
Sir Frederick Crawford, GCMG, OBE
C. W. Engelhard
H. St. L. Grenfell, OBE, MC*
J. O. Hambro, MC
H. F. Oppenheimer
P. J. Oppenheimer*
Evelyn R. A. de Rothschild
T. P. Stratten
T. Muir Warden, OBE*

**Executive Committee of the Board of Directors*

Alternate Directors

O. B. Bennett, CBE
G. W. Flint
H. R. Fraser
R. St. L. Granville
Sir Jim S. Holland, Bt, TD
N. K. Kinkead-Weekes
The Hon. J. Christopher Loder
R. H. MacWilliam
B. W. Pain

Local Committee in the Republic of South Africa

F. S. Berning
H. C. Ballingall
G. C. Fletcher, MC
J. V. Harris

Local Committee in Rhodesia

T. C. A. Birley
I. M. Cowan
Sir Henry M. McDowell, KBE
C. C. W. Parke

Administration

Industrial Consultant
O. B. Bennett, CBE

Managers
FINANCE AND INVESTMENT
R. St. L. Granville
Sir Jim S. Holland, Bt, TD
The Hon. J. Christopher Loder
B. W. Pain

INDUSTRIAL AND METAL SALES
G. W. Flint
H. R. Fraser

PROSPECTING AND MINING
N. K. Kinkead-Weekes

Secretary
R. V. Pritchard

Deputy Secretary
J. E. Dexter, MM

Chief Accountant
D. C. Kempson

Local Secretaries
REPUBLIC OF SOUTH AFRICA
J. T. Goldfinch

RHODESIA
Anglo American Corporation of South Africa Limited

Registrars
LONDON AND JOHANNESBURG
Consolidated Share Registrars Limited:
7 Rolls Buildings, Fetter Lane, London EC4
76 Main Street, Johannesburg

SALISBURY
Anglo American Corporation of South Africa Limited
70 Jameson Avenue Central, C4

Auditors
Cooper Brothers & Co.
Deloitte, Plender, Griffiths & Co.

Bankers
Barclays Bank D.C.O.
National Provincial Bank Limited
Westminster Bank Limited

ELECTRON

Background to the Company

CHARTER CONSOLIDATED became a public company on 31st March 1965 following the merger between The British South Africa Company, The Central Mining & Investment Corporation Limited and The Consolidated Mines Selection Company Limited.

Before the merger, all three participating companies were engaged in similar business – predominantly mining and mining finance—and were associated through cross-holdings of shares, directors common to all three boards and interests in many of the same companies.

Each of the three companies was well established and successful and could have continued to operate separately. Modern conditions, however, particularly those prevailing in the fields of prospecting and mining, call for financial, technical and managerial resources on a large scale and it was considered that a single company combining the assets of the three companies would be more favourably placed to attract and undertake new business on a world-wide basis.

The British South Africa Company was incorporated by Royal Charter in 1889 and administered the areas of Central Africa which have now become Zambia and Rhodesia. In addition to this special role, it pioneered the development of agriculture, forestry and local industries. When, in 1923, it was relieved of its responsibility for governing the two territories, it concentrated on economic enterprise and made an important contribution both to the development of the Zambian copper mines and to the South African mining industry, as well as to the economic development of Rhodesia.

The Central Mining & Investment Corporation was founded in 1905 as a mining finance house concerned mainly with the development of the South African gold mining industry. The corporation largely pioneered the development of deep level mining techniques on the Central Rand. In addition, it acquired interests in platinum, coal, asbestos, ferrochrome, copper and oil, besides a number of industrial interests in the United Kingdom.

The Consolidated Mines Selection Company was formed in 1897. From its inception the company operated as an exploration company seeking mining investment opportunities throughout the world. Its primary interests centred on the East Rand, and when Anglo American Corporation of South Africa Limited was formed in 1917 the two companies became closely linked. In 1921 Consolidated Mines Selection exchanged its South African assets for a large shareholding in Anglo American Corporation and entered into a reciprocal agreement with it to participate in any new business.

Part of a modern gold recovery plant in South Africa. Charter Consolidated has a substantial investment in the South African gold mining industry.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first annual general meeting of members of Charter Consolidated Limited will be held at The Chartered Insurance Institute, 20 Aldermanbury, London EC2, on Thursday 30th June 1966 at 12 noon, for the following purposes:—

1 To consider the balance sheets and consolidated profit and loss account for the year ended 31st March 1966 and the reports of the directors and auditors.

2 To elect directors.

3 To fix the remuneration of the auditors.

The transfer books and registers of members in London, Johannesburg and Salisbury will be closed from 27th to 30th June 1966, both days inclusive.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.

Holders of share warrants to bearer who desire to attend in person or by proxy or to vote at any general meeting of the Company must comply with the conditions governing share warrants to bearer.

BY ORDER OF THE BOARD R. V. PRITCHARD *Secretary*

40 Holborn Viaduct, London EC1 7TH JUNE 1966

Salient Features from the Consolidated Accounts

	£ 31st March 1966
Issued capital of Charter Consolidated Limited	24,431,000
Capital reserves	32,442,000
Revenue reserves	51,406,000
Investments—quoted and unquoted:	
at book value	92,326,000
at Stock Exchange and directors' valuation	155,688,000
Net current assets	15,163,000
Net profit for the year after taxation	7,779,000
Dividends gross per share	*1*s* 8*d*

*Including special distribution of 4*d*. gross per share relating to the three-month period prior to the merger on 31st March 1965

The detailed accounts will be found on pages 17 to 23 of this report.

Report of the Directors

The directors have pleasure in submitting their first annual report together with the audited accounts for the year ended 31st March 1966.

Share Capital

The authorised capital of the Company is £30,000,000. The issued capital stands at £24,431,168 10*s*. 0*d*. following the issue on 31st March 1965 of 97,724,674 fully paid shares of 5*s*. each to members of The British South Africa Company, The Central Mining & Investment Corporation Limited and The Consolidated Mines Selection Company Limited in exchange for the entire issued capital of each of the three companies.

Of the unissued shares, 108,192 are held against the conversion right of holders of the Consolidated Mines Selection 6½ per cent convertible debenture stock, leaving a balance of 22,167,134 shares in reserve.

Share Warrants to Bearer

Outstanding share warrants to bearer of The British South Africa Company and of The Central Mining & Investment Corporation may be exchanged up to 31st March 1967 for share warrants to bearer of Charter Consolidated on the basis provided for in the merger scheme. Thereafter, such warrants can be exchanged only for registered shares in Charter Consolidated. At 23rd May 1966 198,987 shares in Charter Consolidated remained to be exchanged.

6½ per cent Convertible Debenture Stock 1974/77 of The Consolidated Mines Selection Company Limited

At the time of the merger holders of £2,904,593 of the Consolidated Mines Selection 6½ per cent convertible debenture stock, representing 96.8 per cent of the original debenture issue of £3,000,000, had exercised their conversion rights.

The metallurgical plant at Hudson Bay Mining and Smelting Co.'s copper and zinc mine at Flin Flon, Manitoba, Canada. Charter Consolidated has an important investment in the company.

During the month of July 1966, the last conversion period, holders of the remaining debenture stock amounting to £95,407 have the right to convert their holdings into shares of Charter Consolidated at the rate of 113.4 shares for each £100 of stock.

Holders of the remaining debenture stock are reminded that, as more than 85 per cent of the original issue of stock has been converted, it is the present intention, subject to the approval of the trustees of the stock, to exercise on the expiry of the final conversion period in July 1966 the rights conferred by the conditions of issue of the stock to convert the whole of the stock then outstanding at the rate of 113.4 shares for each £100 of stock or to redeem it at par, whichever is the more beneficial to stockholders. In the event of the right to convert being exercised, the Charter Consolidated shares arising from such conversions will be sold by the trustees and the net proceeds of sale distributed to stockholders.

Consolidated Profit and Loss Account

In view of the introduction of the corporation tax system and the limitation of double tax relief, dividend income from overseas companies has been taken into the accounts at the declared rate after deduction of overseas corporate taxes. Prior to the merger certain subsidiaries took into their accounts the gross amount of dividends before deduction of overseas taxes and adjusted the taxation charges accordingly. This latter practice was followed in calculating the Group profit before taxation for the half-year ended 30th September 1965 as shown in the half-yearly report issued last November. The half-yearly figures are therefore not directly comparable with those shown for the Group profit before taxation for the year to 31st March 1966 given in the accounts. This change in accounting practice does not affect the amount of the Group profit after taxation.

	£	£
The Group profit before taxation for the year ended 31st March 1966 was		10,435,000
Taxation amounted to		2,656,000
Leaving a Group profit after taxation of		7,779,000
Out of which there has been appropriated:		
First dividend of 10*d.* per share, less income tax, paid on 14th December 1965	2,392,000	
Second dividend of 10*d.* per share, less income tax, paid on 29th March 1966	2,392,000	
Transfer to investment and exploration reserve	2,000,000	
		6,784,000
Leaving an amount retained by the Group for the year of		£995,000

Dividends paid during the year totalled 1*s.* 8*d.* per share. The dividend of 10*d.* per share paid on 14th December 1965 should, as stated in the half-yearly report, be regarded as a combined distribution of 4*d.* per share in respect of the earnings of the three merging companies for the three-month period 1st January to 31st March 1965 and an interim dividend of 6*d.* per share for the accounting year 1st April 1965 to 31st March 1966.

A second dividend of 10*d.* per share was paid on 29th March 1966, and no further dividend is now recommended in respect of the year ended 31st March 1966.

Reserves

Movements on reserves during the year are shown on page 22 in note 7 on the accounts.

There was some difference in the practice followed by the constituent companies in the treatment of their reserves and of depreciation of investments prior to the merger. In future it is intended that provision for necessary depreciation of investments and for expenditure on prospecting and exploration should be made from the investment and exploration reserve. This reserve has been formed out of the balances brought forward on this account at the time of the merger together with an amount of £7,500,000 which has been transferred to it from past revenue reserves of the Group. An additional amount of £2,000,000 has been appropriated to this reserve out of the current year's profit. The balance of the revenue reserves and unappropriated profit appears in the consolidated balance sheet under the heading 'Retained earnings'.

The following amounts have been written off and charged to the investment and exploration reserve this year:

	£
Shares in Anglo American Corporation Rhodesia Limited	1,544,000
Expenditure on exploration	346,000
	£1,890,000

Shortly after the merger the principal interests of the Group in Rhodesia were amalgamated with the Rhodesian interests of certain companies of the Anglo American Corporation group, as a result of which the Group obtained shares in Anglo American Corporation Rhodesia Limited valued on the basis of the underlying net assets at £5,700,000, which is now the only significant investment in Rhodesia held by the Group. This holding has now been written down by £1,544,000 to £4,156,000. In addition certain Zambian loans were written down by £625,000 at the commencement of the year to accord with the amounts at which they were valued for the purposes of the merger.

The Group's Structure, Principal Interests and Activities

The activities of the Group are reviewed as part of this report on pages 24 to 31, and a list of the principal subsidiary companies in the Group appears on pages 32 and 33.

The principal interests of the Group, with a geographical analysis of assets and investment income, are shown on pages 34 and 35.

Board of Directors

Sir Keith Acutt, KBE, Mr A. Chester Beatty, Comte T. de Feuilhade de Chauvin and Mr J. E. H. Collins, MBE, DSC, retire in accordance with the provisions of article 99 (1) of the articles of association, and offer themselves for re-election.

Auditors

Messrs Cooper Brothers & Co. and Messrs Deloitte, Plender, Griffiths & Co. are willing to continue in office as joint auditors to the Company.

BY ORDER OF THE BOARD R. V. PRITCHARD *Secretary*

31st MAY 1966

Report of the Auditors to the members

The balance sheet of the company set out on page 20 is in agreement with the books which in our opinion have been properly kept. We obtained the information and explanations we required. In our opinion the balance sheet complies with the Companies Act, 1948, and gives a true and fair view of the state of affairs of the company.

The consolidated accounts set out on pages 17 to 19 incorporate figures in respect of certain subsidiary companies which have not been audited by us. In our opinion, based upon our examination and the reports of other auditors, the consolidated accounts, together with the information given in the notes on pages 21 to 23, comply with the Companies Act, 1948, and give a true and fair view of the state of affairs and the profit of the group.

COOPER BROTHERS & CO.
DELOITTE, PLENDER, GRIFFITHS & CO.
Chartered Accountants

LONDON 31st MAY 1966

Consolidated Profit and Loss Account for the year ended 31st March 1966

		£	£
Income from investments (note 1)			8,717,000
Profits less losses on realisation of investments by dealing subsidiaries, and underwriting commission			1,200,000
Interest received less paid			1,265,000
Trading profit and sundry revenue (note 2)			518,000
			11,700,000
Deduct:			
Administration expenses		1,091,000	
Directors' emoluments (note 3)		111,000	
Debenture stock interest		49,000	
Auditors' remuneration (parent company £1,575)		14,000	
			1,265,000
Consolidated profit before taxation			10,435,000
Taxation (note 5)			2,656,000
Consolidated profit after taxation			£7,779,000
Appropriated as follows:—			
By distribution in dividends:			
First dividend of 10*d.* per share less income tax, paid 14th December 1965		2,392,000	
Second dividend of 10*d.* per share less income tax, paid 29th March 1966		2,392,000	
			4,784,000
By addition to reserves (note 7):			
Investment and exploration reserve—subsidiaries		2,000,000	
Retained earnings:			
Increase in company's retained earnings	£4,855,000		
Decrease in subsidiaries' retained earnings	3,860,000		
		995,000	
			2,995,000
			£7,779,000

For notes on the accounts see pages 21 to 23

Consolidated Balance Sheet—31st March 1966

	31st March 1966		1st April 1965	
Capital	£	£	£	£
Authorised: 120,000,000 shares of 5*s*. each	£30,000,000		£30,000,000	
Issued: 97,724,674 shares of 5*s*. each fully paid	£24,431,168	24,431,000	£24,431,168	[illegible]
Capital reserves				
Share premium account	11,926,000		11,926,000	
Other (note 7)	20,516,000		[illegible]	
		32,442,000		[illegible]
Revenue reserves (note 7)				
Investment and exploration reserve	9,984,000		[illegible]	
Retained earnings	41,422,000		[illegible]	
		51,406,000		[illegible]
TOTAL CAPITAL AND RESERVES		108,279,000		[illegible]
Interest of minority shareholders in subsidiary companies		145,000		[illegible]
Debenture stocks (note 8)		1,095,000		[illegible]
		£109,519,000		£105,937,000

P. V. EMRYS-EVANS } *Directors*
W. D. WILSON }

D. C. KEMPSON *Chief Accountant*

For notes on the accoun

		31st March 1966		1st April 1965 (note	
		£	£	£	£
Fixed assets (note 9)			2,030,000		1,274,000
Investments at cost, less amounts written off					
Quoted on Stock Exchanges:					
In Great Britain		46,307,000		51,022,000	
Outside Great Britain		23,391,000		20,603,000	
		69,698,000		71,625,000	
Unquoted		22,628,000		22,611,000	
			92,326,000		94,236,000
	£				
Stock Exchange value of quoted securities (note 10)	125,588,000			*117,460,000*	
Directors' valuation of unquoted securities	30,100,000			*27,746,000*	
	£155,688,000			*£145,206,000*	
Current assets					
Stock in trade and work in progress (note 11)		1,376,000		1,060,000	
Debtors		2,477,000		2,491,000	
United Kingdom tax repayable		2,296,000		865,000	
British Government securities (Stock Exchange value £4,831,000; 1965, £3,917,000)		4,776,000		3,908,000	
Short term loans and deposits		9,620,000		29,906,000	
Bank and cash balances		359,000		724,000	
		20,904,000		38,954,000	
Current liabilities					
Pension fund trustees (secured)		246,000		114,000	
Unclaimed dividends		326,000		199,000	
Bank overdrafts		213,000		90,000	
Creditors		2,485,000		17,825,000	
Taxation (including United Kingdom corporation tax due 1st January 1967, £341,000).		2,471,000		9,999,000	
		5,741,000		28,527,000	
NET CURRENT ASSETS			15,163,000		10,427,000
			£109,519,000		£105,937,000

see pages 21 to 23.

Balance Sheet 31st March 1966

	£	£
Subsidiary companies		
Shares at cost	24,431,000	
Add: Amounts due from subsidiaries	5,070,000	
	29,501,000	
Less: Amounts due to subsidiaries	672,000	
		28,829,000
Current assets		
Debtors	10,000	
United Kingdom tax repayable	23,000	
Short term loans	550,000	
Bank balances	5,000	
		588,000
		£29,417,000

	£	£
Capital		
Authorised: 120,000,000 shares of 5*s.* each	£30,000,000	
Issued: 97,724,674 shares of 5*s.* each fully paid	£24,431,168	24,431,000
Revenue reserve (note 7)		
Retained earnings		4,855,000
TOTAL CAPITAL AND RESERVE		29,286,000
Current liabilities		
Unclaimed dividends	129,000	
Creditors	2,000	
		131,000
		£29,417,000

P. V. EMRYS-EVANS } *Directors*
W. D. WILSON }
D. C. KEMPSON *Chief Accountant*

For notes on the accounts see pages 21 to 23

Notes on the Accounts 31st March 1966

1 Income from investments.

Dividends from overseas investments are included at the gross amount declared except for dividends from Zambian companies which have been included after deduction of Zambian taxation.

2 Trading profit and sundry revenue.

In order to facilitate administration, the financial year of all manufacturing subsidiaries now terminates on 31st January. Consequently, the trading profit in these accounts includes eleven months' results of one manufacturing subsidiary and ten months' results of the remainder.

3 Directors' emoluments.

	£
Fees	22,000
Other remuneration (including pension premiums)	104,000
	126,000
Less: Fees received from other companies and refunded to the group	15,000
	£111,000

4 Depreciation of fixed assets charged in these accounts (including amount set aside for increased cost of plant replacement, £27,000) £153,000

5 Taxation.

On profit for the year.	£
United Kingdom — corporation tax at 40 per cent.	746,000
— income tax	4,499,000
— profits tax	1,058,000
	6,303,000
Less: Double taxation relief	3,369,000
	2,934,000
Overseas taxation	356,000
	3,290,000
Less: Adjustments in respect of previous years	634,000
	£2,656,000

6 Comparative figures at 1st April 1965 on the consolidated balance sheet have been compiled from the consolidated balance sheets of The British South Africa Company, The Central Mining & Investment Corporation Limited and The Consolidated Mines Selection Company Limited. Where the accounting bases were not similar the figures have been suitably adjusted.
It is not possible to present comparative figures on the consolidated profit and loss account owing to the different bases upon which the profits of the three companies were arrived at prior to the merger.

Notes on the Accounts—31st March 1966 (continued)

7 Movements on reserves during the year.

	Other Capital Reserves —Group	Investment and Exploration Reserve —Group	Retained Earnings Company	Retained Earnings Group
	£	£	£	£
Balances at 31st March 1965 of The British South Africa Company, The Central Mining & Investment Corporation Limited and The Consolidated Mines Selection Company Limited, after adjustments	15,898,000	2,852,000		48,051,000
Transfer from retained earnings		7,500,000		(7,500,000)
Amounts written off investments held by dealing subsidiary		(625,000)		
Surplus arising on consolidation	2,160,000			
Balances at 1st April 1965	18,058,000	9,727,000		40,551,000
Add:				
Appropriated from profits		2,000,000	4,855,000	995,000
Amount set aside for increased cost of plant replacement (note 4)	27,000			
Provision for depreciation of British Government securities no longer required		111,000		
Surplus on realisation of shares arising from inter-group transactions in previous years less United Kingdom tax thereon		36,000		
Surplus arising on sale of business interest and profit realised on sales of investments by holding subsidiaries less United Kingdom tax thereon	2,288,000			
Surplus on liquidation of dealing subsidiaries	124,000			(124,000)
Sundry adjustments	19,000			
	20,516,000	11,874,000	4,855,000	41,422,000
Deduct:				
Expenditure on exploration less United Kingdom taxes recoverable		(346,000)		
Amount written off investment held by holding subsidiary		(1,544,000)		
Balances at 31st March 1966	£20,516,000	£9,984,000	£4,855,000	£41,422,000

8 Debenture stocks (secured).

	£	£
Issued by The Rhodesia Railways Trust Limited		
4½ per cent first debenture stock 1978/83	500,000	
4 per cent second debenture stock 1978/83	500,000	1,000,000
Issued by The Consolidated Mines Selection Company Limited		
6½ per cent convertible debenture stock 1974/77 (see Report of the Directors page 11)		95,000
		£1,095,000

Notes on the Accounts—31st March 1966 (continued)

9 Fixed assets.

	Cost	Aggregate Depreciation	Net
	£	£	£
Freehold property	855,000	111,000	744,000
Long leasehold property	541,000	12,000	529,000
Estates, buildings and citrus groves in Rhodesia	230,000	230,000	—
Plant, furniture and fittings	1,280,000	523,000	757,000
	£2,906,000	£876,000	£2,030,000

10 Quoted investments.

In the case of 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.

11 Stock in trade and work in progress has been valued at the lowest of cost, net realisable value and replacement price.

12 Commitments outstanding.

	£
In respect of capital expenditure	101,000
In respect of subscriptions for shares and loan facilities	2,946,000
	£3,047,000

13 Contingent liabilities.

	£
For amounts not called on investments	441,000
In respect of guarantees	550,000
In respect of underwriting participations	44,000
	£1,035,000

14 Assets and liabilities in Commonwealth and Foreign currencies have been converted as follows:

(*a*) Fixed assets and investments, at rates ruling on date of acquisition.

(*b*) Stock Exchange value of investments, current assets and liabilities, at rates ruling on 31st March 1966, including 75 per cent (1965, 100 per cent) of the investment currency premium where applicable.

15 Taxation.

(*a*) In the event of certain overseas subsidiaries distributing reserves or profits, additional liability to United Kingdom taxation would arise.

(*b*) A liability to corporation tax would arise in the event of the realisation of investments.

16 Exchange control.

The transfer of assets held by the group in the Republic of South Africa and in Rhodesia would be subject to restrictions under the exchange control regulations of those countries.

Review of Interests and Activities

The Group has had an active and successful first year. Its resources, investments, and links with the mining industry in particular, in many parts of the world, give it special opportunities to develop new business, the search for which started with the merger and has since been vigorously continued. In addition to assuming the prospecting interests of the three constituent companies, shortly after the completion of the merger new participations were negotiated in prospecting operations in Australia and North America. Since then an increasing number of projects have been considered and a satisfactory proportion judged sufficiently encouraging to warrant further examination. As a result the Group now has additional participations in prospecting ventures in many parts of the world. An important new mining business entered into early on was the arrangement with Tronoh Mines Limited, referred to in detail later in this review.

There were considerable administrative problems involved in the merging of the three companies, the solving of which was facilitated by the transfer of the staffs of the constituent companies together with the London office staffs of Anglo American Corporation of South Africa Limited and Consolidated Share Registrars Limited to a wholly owned subsidiary, Charter Consolidated Services Limited. This company has taken over the lease of the Company's registered office at 40 Holborn Viaduct and acquired a long lease of new premises at 7 Rolls Buildings nearby. The leases of certain office premises in the City of London have been disposed of on satisfactory terms.

The creation of a service company with a staff whose skills and experience range over the whole field of prospecting, mining, finance and business administration offers many advantages to the Group. The service company provides staff and services in London, not only for all companies in the Charter Consolidated group, but also for the Anglo American Corporation, De Beers and Corner House groups and Anmercosa Sales Limited. In addition the Company can call on the comprehensive technical services of Anglo American Corporation, an arrangement which has already contributed greatly to the examination and evaluation of the many mining and prospecting projects initiated by or brought to the Company since the merger. The demand for these services has now led to the setting up of a technical services company in the London office. The Company has appointed local committees in South Africa and Rhodesia to attend to its affairs in those countries.

In addition to its arrangement with Anglo American Corporation, the Company maintains equally close co-operation with the Corner House group, in which it has substantial interests. Rand Mines Limited, which since 1957 has administered the mining and industrial companies of that group, assumed with effect from 1st April 1965 responsibility for providing financial and other services in South Africa which had previously been provided by The Central Mining & Investment Corporation Limited. Rand Mines was also appointed local secretaries in Johannesburg to Central Mining and its subsidiaries, and the Johannesburg staff of Central Mining was transferred to Rand Mines.

Finance and Investments

A major factor affecting the Group's investments and investment policy has been the introduction in the 1965 Finance Act of the corporation tax system, and the limitation of double tax relief for underlying taxes suffered overseas to trade investments which are defined, with some exceptions, as shareholdings amounting to not less than 10 per cent of the voting power of the overseas company. Certain rearrangements of our investments have been or are in the process of being made with a view to adapting our investment policy to these new conditions and to bringing more of our major holdings in overseas companies within the definition of a trade investment as now established and thus to qualify them for double tax relief. Unrestricted double tax relief on income from Zambia will continue until April 1968, and relief is still being granted for the time being on all income from South Africa.

With a corporation tax of 40 per cent, and a withholding tax of 8*s*. 3*d*. in the £, the additional amount of taxation liability under the new system when fully implemented, based on earnings and the dividend rate of 1*s*. 4*d*. per share as for the past year, is estimated at £2,000,000. As stated in the half-yearly report issued last November, it is not expected that this annual dividend rate of 1*s*. 4*d*. per share can be maintained this year.

Profits on share realisations, including underwriting commission, amounted in the year under review to £1,200,000. Earnings from this source may fluctuate considerably from year to year depending upon investment policy and market conditions. The taxation liability on these earnings was materially reduced as a result of the substantial tax loss that arose from the exchange of Rhodesian assets at their written down value for shares in Anglo American Corporation Rhodesia Limited.

For reasons connected with the termination of The British South Africa Company's business in Zambia, large cash balances were held over a period of time which resulted in the amount of interest received during the past year being exceptionally high at £1,265,000.

As a result of the provisions covering the transitional period when moving over from the old tax system to the new one, some dividends received from United Kingdom companies in 1965/66 were greater than would normally have been expected, and the corresponding payments next year may consequently show some reduction.

The principal interests of the Group and the general investment pattern as at the end of the year are shown on pages 34 and 35, together with the geographical distribution in terms both of asset value and of investment income. Approximately 50 per cent by value of the investments were in South and Central Africa, nearly 25 per cent in North America and the balance in the United Kingdom and elsewhere.

The largest single category of investments is mining finance where shareholdings amounted to £63,881,000 in value which includes substantial holdings in Anglo American Corporation and Rand Mines, with which groups the close association is of very long standing. In addition there are substantial holdings in this category in Johannesburg Consolidated Investment Company Limited, Rand Selection Corporation Limited, The Rio Tinto-Zinc Corporation Limited, Selection Trust Limited and Union Corporation Limited. The holdings in Anglo American Investment Trust Limited and De Beers Consolidated Mines Limited in the diamond category, and in Zambian Anglo American Limited in the copper section, can also be looked upon to some extent as holdings in mining finance. In the case of Rio Tinto-Zinc the interest is mainly held through a loan stock with accompanying options to subscribe for shares, and notice has been given to that company of our intention to change from the loan stock into the equity. Anglo American Corporation, De Beers, Johannesburg Consolidated, Zambian Anglo American, Union Corporation, Selection Trust and Rand Selection all declared increases in their rates of dividend this year, although special taxation circumstances referred to above were a factor in the case of Selection Trust.

These holdings provide a very wide spread over the mining industry in particular and other activities in Southern Africa, as well as some interests elsewhere. They also have an inherent strength in that mining finance companies normally provide for the amortisation of their mining holdings and also to a certain extent for the financing of new ventures out of retained earnings. Furthermore the market values of the shares usually show a substantial discount on the net value of the assets held, in addition to which in many cases there are additional sources of revenue such as from the provision of technical services, etc., which are not reflected by specific assets in the balance sheet.

Apart from what might be called in a broad sense its trade investments the Group has substantial interests of a normal 'portfolio' nature. In the analysis on pages 34 and 35 these are mainly included under the general headings 'Industrial, Commercial, etc.' and 'Oil'. Of the amount shown of £50,000,000, some £30,000,000 is in respect of investments falling broadly into an investment trust portfolio classification, of which amount 50 per cent are North American securities. These investments are spread widely and thus contribute a useful diversification, and with their good marketability they also can be regarded as constituting something of a financial reserve from which funds could be drawn if required for new business.

Participations in the underwriting of numerous issues were taken during the year, and the Group in its capacity as bankers in London to associated companies continued to take monies on deposit and to provide finance for those companies in certain instances.

Reports on new investments and other developments follow under separate geographical headings.

Africa

South Africa

The Group is following up its interest in Highveld Steel and Vanadium Corporation Limited and should eventually hold 5 per cent of the issued capital. This company, which is a member of the Anglo American Corporation group, will, on completion of the present plant construction programme, have a potential annual output of 415,000 short tons of universal and other profiles and semi-finished steel products. In addition it will produce 23 million lb. of vanadium pentoxide when operating at rated capacity.

West Africa

A broad survey has been made of the opportunities for mining development in both the Commonwealth and the French speaking countries of West Africa. In Nigeria the Company is participating in a preliminary study for the possible exploitation of substantial tin reserves beneath the basalt flow areas of the Jos Plateau. These deposits have so far been regarded as uneconomic because of the problems of mining in unconsolidated ground.

In the same area the Company's geologists are working with the French Bureau de Recherches Géologiques et Minières (B.R.G.M.) in the examination of a molybdenite bearing locality. Our geologists are also co-operating with B.R.G.M. in a similar exploration programme in the neighbouring state of Niger. To facilitate these operations the Company has formed a wholly owned subsidiary, Charter Mining Investments (Nigeria) Limited.

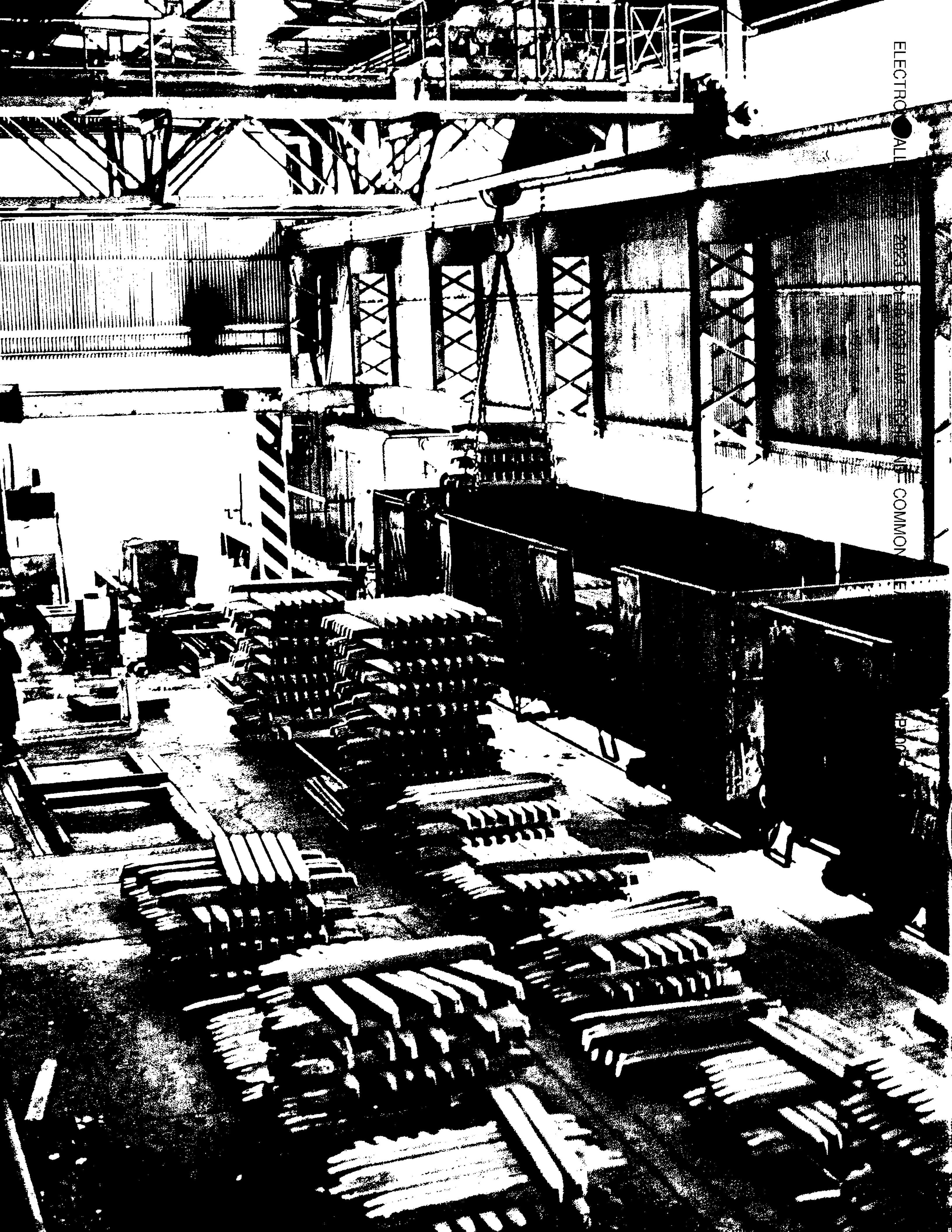
Zambia

The Group has a significant interest in the Kalengwa copper deposit in the Western Province of Zambia. Proposals are now being finalised for the exploitation of this small but very high grade deposit by the Roan Selection Trust group at a cost of about £1,500,000.

Prospecting to date has outlined reserves of about 600,000 short tons of ore with a grade of 16 per cent copper. Mining will be by open-pit methods and it is envisaged that yearly production will be in the region of 100,000 short tons for six years, giving an annual output of 12,800 long tons of copper.

Australia

A significant proportion of the Group's recent prospecting participations is in Australia. A wholly owned subsidiary, Charter Mining Investments (Australia) Pty Limited, was formed to facilitate operations, in association with other interests, in six major projects in Australia and is working in close co-operation with the Melbourne office of the Anglo American Corporation group.



In Western Australia the Company is participating with Western Mining Corporation Limited, Kalgoorlie Southern Gold Mines N.L. and Newmont Proprietary Limited in a drilling programme to explore the possibility of a deep repetition of the gold bearing lodes of the 'Golden Mile' southwards along the strike of the Kalgoorlie syncline. In addition to the search for gold, the Company is exploring for base metals, jointly with Australian and American interests, over some 5,600 square miles in the Fraser Range in Western Australia. A further programme is in progress in association with the Freeport Sulphur group and the Northfield group of Canada in north-western Australia between Port Hedland and Carnarvon.

The Company is also participating, again with Australian and American interests, in an investigation to attempt the location of gold bearing lodes in the Ballarat and Bendigo districts of the state of Victoria.

Of interest also is the Company's participation in a syndicate, which includes Anglo American Corporation and Australian and American interests, formed to investigate off-shore areas to the north of Tasmania for tin and phosphates.

Europe

France

An arrangement has been entered into between the Anglo American Corporation group and Banque de Paris et des Pays-Bas under which two jointly owned investment holding companies have been formed. The Anglo American Corporation group has contributed a portfolio of quoted South African securities with a market value of £5,000,000, and the Banque de Paris has contributed a portfolio of quoted French securities of equivalent value.

This close association is designed to help to promote trade, investment and the exchange of technical knowledge between South African and French industry.

The Charter Consolidated group has acquired a 12½ per cent interest in these arrangements which is held through the medium of a South African company, Euranglo (Pty) Limited.

During the year the Company also acquired a shareholding in Société Minière et Métallurgique de Penarroya, a French registered company whose main sphere of operation is in the mining and treatment of minerals in several countries of continental Europe and elsewhere.

United Kingdom

The Group has a number of investments in manufacturing industry in the United Kingdom and has subsidiary companies concerned with the manufacture of electric lifts, rail fastenings, domestic and industrial heating and process equipment, and components and assemblies for the electronics industries. These subsidiary companies are competing successfully in home and overseas markets.

A substantial interest has been acquired in Werff Bros Limited, a company which operates a chain of retail dress shops in the United Kingdom. The administration of that company is controlled by Edgars Stores Limited, a highly successful

Electrolytic copper wirebars being loaded for export at Rhokana Copper Refineries at Nkana in Zambia. Charter Consolidated has a large investment in the copper mining industry.

company engaged in the clothing trade in South Africa through some 260 branches. Charter Consolidated has agreed additionally to provide loans to Werff Bros for further development of the business.

The Company has taken an important interest in Anmercosa Sales Limited which was formed in September 1965 to undertake the selling of metals on behalf of companies of the Anglo American Corporation group.

Anmercosa Sales took over from British Metal Corporation (B.M.C.) on 1st January 1966 the sales of copper and cobalt produced by the Zambian copper companies of the Anglo American Corporation group, but the long association between B.M.C. and the Anglo American Corporation group will be continued in that B.M.C. has been retained as consultants to Anmercosa Sales and will act as its agents in certain territories.

Anmercosa Sales will take over the marketing of lead, zinc and cadmium for The Zambia Broken Hill Development Company Limited from 1st July 1966, and will also take up an appointment as European agents for the sale of zinc and cadmium produced by Hudson Bay Mining and Smelting Co. Limited as from the beginning of 1967.

The company has been handling the sale of vanadium pentoxide for Transvaal Vanadium Company (Pty) Limited in certain territories since its inception, and will be appointed agents for the sale of all the vanadium production of the parent company, Highveld Steel and Vanadium Corporation, in these territories from 1st July 1966.

Whilst it will be largely engaged in the selling arrangements of Anglo American Corporation group companies, its activities are not confined to this field and it is ready to accept agency appointments from non-group companies.

Malaysia

In accordance with the agreement concluded with Tronoh Mines and certain of its associate companies in November 1965, the Company on 7th April 1966 exercised its option to subscribe for 1,714,285 shares of 5*s*. each in Tronoh at a price of 17*s*. 6*d*. per share. It also notified its decision to exercise the option, contingent upon the exercise of the Tronoh share option, to acquire 49 per cent of the share capital of Bidor Malaya Tin Limited, which company has acquired the assets of Sungei Bidor Tin Dredging Company Limited, and will undertake the exploitation of the Sungei Bidor composite mining area being established by Tronoh in the state of Perak. The cost of this acquisition to Charter Consolidated will amount to 49 per cent of the cost to Tronoh of establishing the area, together with a premium of £300,000.

As a result of the exercise of these options the loan facilities of up to £2,000,000 made available to Tronoh by Charter Consolidated up to 31st December 1969 will be withdrawn.

Your Company has also purchased, for a total consideration of £228,583, 49 per cent of the issued share capital of Associated Mines (Malaya) Limited which provides technical and administrative services to Tronoh and its associate companies in Malaya.

Mr W. D. Wilson, deputy chairman and managing director of Charter Consolidated, and Mr N. K. Kinkead-Weekes, manager of the Company's prospecting and mining division, have been appointed to the board of Tronoh, and Mr Kinkead-Weekes and Mr H. H. Taylor, manager of Anglo American Corporation's Australian office, have been appointed to the board of Associated Mines. In addition Charter Consolidated has been appointed consulting engineers to Associated Mines for a period of five years.

Although the average price of tin fell during 1965 from the high level of the previous year, and notwithstanding the considerable stockpile releases proposed by the United States General Services Administration during the current year, the present firmness in price is expected to continue.

The production of Tronoh itself should increase from 1967 following the present reorganisation and redeployment of dredges to virgin areas and in particular the exploitation of the Ayer Kuning section. At Sungei Bidor the existing dredge has been operating satisfactorily throughout the year, and a further dredge has been purchased and is in course of being dismantled for transfer to the composite mining area. In October 1965 an agreement was concluded between Associated Mines, acting on behalf of Tronoh, and Sharikat Permodalan dan Perusahaan Perak Berhad (Limited) in respect of a large Malay Reserve which is at present under investigation.

The association between Tronoh and Charter Consolidated should prove of mutual benefit.

North America

The Group is interested in base-metal exploration and, through its investment in Western Decalta Petroleum Limited, in prospecting for oil.

Participations in various prospecting ventures are held through Interlink Investments Limited, a wholly owned subsidiary, in association with the Anglo American Corporation group's North American companies and Hudson Bay Mining and Smelting Co.

An important interest held by Interlink in Canada, in association with Hudson Bay Mining and other important Canadian companies, is in an iron ore deposit in Baffin Island. This project will be more readily assessed when the feasibility report on marketing and shipping at present being finalised becomes available. The main problem is that access by shipping is possible only during the three months of the year in which the Baffin Island coast is free of ice.

Group Subsidiary Companies

At 31st March 1966 the principal subsidiary companies of Charter Consolidated, all of which were wholly owned except where otherwise stated, were as shown below:—

United Kingdom	TYPE OF COMPANY
The British South Africa Company	Overseas trading
The British South Africa Company Holdings Limited	Investment holding
The Central Mining & Investment Corporation Limited	,, ,,
Financial and Mining Holdings Limited	,, ,,
The Rhodesia Railways Trust Limited	,, ,,
Wall Trust Limited	,, ,,
The British South Africa Company Investments Limited	Investment dealing
Cecil Investments Limited	,, ,,
Central Mining Finance Limited	,, ,,
The Consolidated Mines (Investments) Limited	,, ,,
The Consolidated Mines Selection Company Limited	,, ,,
Centramic U.K. Limited	Industrial holding
A. & P. Steven—Electramic Limited	Manufacturing
Elastic Rail Spike Company Limited	,,
Heatrae Limited	,,
Rathdown Industries Limited	,,
A. Moir & Co. Limited	Service
Charter Consolidated Services Limited	,,

Group Subsidiary Companies (continued)

	TYPE OF COMPANY
Australia	
Charter Mining Investments (Australia) Pty Limited	Investment holding
Canada	
Centramic (Canada) Limited	Investment holding
Coniaurum Holdings Limited (73.5%)	,, ,,
Interlink Investments Limited	,, ,,
Bermuda	
Greenpoint Company Limited	Investment holding
Katrine Company Limited	,, ,,
Pattern Company Limited	,, ,,
Republic of South Africa	
Centramic (South Africa) Limited	Investment dealing
The Consolidated Mines Selection (Johannesburg) Limited	Investment holding
Equinox Investments Limited	,, ,,
Swaziland	
Swaziland Collieries Limited (63.1%)	Coal mining

Principal Interests of the Group

The following list shows the investment pattern of Charter Consolidated and its subsidiaries and identifies their principal interests:—

	Valuation at 31.3.66	Per cent of Net Assets	Per cent of Investment Income
Mining	£		
FINANCE	63,881,000	37.2	36.7
Anglo American Corporation of South Africa Limited			
Consolidated Gold Fields Limited			
Johannesburg Consolidated Investment Company Limited			
Rand Mines Limited			
Rand Selection Corporation Limited			
The Rio Tinto-Zinc Corporation Limited			
Selection Trust Limited			
Transvaal Consolidated Land and Exploration Company Limited			
Union Corporation Limited			
DIAMONDS	5,665,000	3.3	3.1
Anglo American Investment Trust Limited			
De Beers Consolidated Mines Limited			
GOLD	9,691,000	5.6	9.7
Blyvooruitzicht Gold Mining Company Limited			
Harmony Gold Mining Company Limited			
Orange Free State Investment Trust Limited			
Western Deep Levels Limited			
Western Holdings Limited			
West Rand Investment Trust Limited			
COPPER AND OTHER METALS	22,610,000	13.2	25.8
Baffinland Iron Mines Limited			
Brakspruit Platinum (Pty) Limited			
Hudson Bay Mining and Smelting Co. Limited			
McIntyre Porcupine Mines Limited			
Mufulira Copper Mines Limited			
Nchanga Consolidated Copper Mines Limited			
Rhokana Corporation Limited			
Société Minière et Métallurgique de Penarroya			
Tronoh Mines Limited			
Zambian Anglo American Limited			
Carried forward	101,847,000	59.3	75.3

	Valuation at 31.3.66	Per cent of Net Assets	Per cent of Investment Income
	£		
Brought forward	101,847,000	59.3	75.3
Industrial, Commercial, etc.	44,348,000	25.8	19.9
Anglo American Corporation Rhodesia Limited			
The Argus Printing and Publishing Company Limited			
Boart and Hard Metal Products S.A. Limited			
The Cape Asbestos Company Limited			
Euranglo (Pty) Limited			
Highveld Steel and Vanadium Corporation Limited			
Hume Limited			
Pretoria Portland Cement Company Limited			
Société Internationale Pirelli S.A.			
Werff Bros Limited			
Witbank Colliery Limited			
Oil	6,128,000	3.6	1.9
The British Petroleum Company Limited			
The 'Shell' Transport and Trading Company Limited			
Western Decalta Petroleum Limited			
Long Term Loans	3,365,000	2.0	2.9
Zambian Government—Housing loan			
Kariba hydro-electric scheme			
	155,688,000	90.7	100.0
Fixed assets, *less* minority interests and debenture stocks	790,000*	0.5	—
Net current assets	15,163,000	8.8	—
	£171,641,000	100.0%	100.0%

*For individual amounts see pages 18 and 19.

Geographical Analysis

	Distribution by Asset Value (Per cent)	Distribution by Investment Income (Per cent)
SOUTH AFRICA	38.6	34.6
REST OF AFRICA	12.9	37.1
NORTH AMERICA	23.9	12.3
UNITED KINGDOM	18.2	11.3
ELSEWHERE	6.4	4.7
	100.0%	100.0%

Notes:

1 The investment pattern and geographical analysis of assets is based on the Stock Exchange value of quoted investments and the directors' valuation of unquoted investments at 31st March 1966.

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

MM les actionnaires sont informés qu'ils peuvent se procurer un exemplaire en français de ce rapport et de l'allocution du Président, en s'addressant soit au

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19 Boulevard des Italiens Paris 2e

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